

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
SOUTHERN DIVISION

UNITED STATES OF AMERICA,)
)
Plaintiff,)
vs.)
RONALD EUGENE WATSON,) CRIMINAL NO.:
8:21-cr-00449-TDC-1
Defendant.) **VOLUME II**

Greenbelt, Maryland
February 28, 2023
9:00 a.m.

TRANSCRIPT OF PROCEEDINGS
JURY TRIAL
BEFORE THE HONORABLE THEODORE D. CHUANG

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(Computer-aided transcription of stenotype notes)

INDEXWITNESS FOR THE GOVERNMENT Page**Thomas Bolus**

Direct Examination By Mr. Cofer 4

Cross-examination By Mr. Ruter 25

Redirect Examination By Mr. Cofer 33

Darlene Hall

Direct Examination By Mr. Morgan 35

Cross-examination By Mr. Ruter 62

Redirect Examination By Mr. Morgan 95

Karen Butler

Direct Examination By Mr. Morgan 98

P R O C E E D I N G S

(9:08 a.m.)

THE COURT: Thank you, everyone. Please be seated.

THE CLERK: The matter now pending before this Court is Criminal Action No. TDC-21-0449, United States of America versus Ronald Eugene Watson. We are here today for the purpose of a jury trial.

Counsel, please identify yourselves for the record.

MR. MORGAN: Good morning, Your Honor. Michael Morgan on behalf of the United States. I'm joined at counsel table by Matt Cofer from the Tax Division of the Department of Justice. Also we are joined by Special Agent Charles Weishaar from the IRS and Tax Division paralegal Eric Mahoney.

THE COURT: Good morning.

MR. RUTER: Gerald Ruter on behalf of Mr. Ronald Watson. Good morning, Your Honor.

THE COURT: Good morning. Good morning, Mr. Watson.

THE DEFENDANT: Good morning.

THE COURT: Unfortunately the jurors did not all get here on time. I appreciate everyone else making the effort to get here on time. But I think we're ready to bring them in; is that correct?

MR. MORGAN: Yes, Your Honor.

MR. RUTER: Yes, Your Honor.

1 THE COURT: Thanks. Let's do that.

2 (Jury entered the courtroom at 9:10 a.m.)

3 THE COURT: Thank you, everyone. Please be seated.
4 Ladies and gentlemen, welcome back. I appreciate you coming
5 back today. We are, again, having a short day of 9:00 to 12:00
6 so we're going to get started right away. The Government has
7 the burden of proof so they can go first. I'm going to ask the
8 Government to call their first witness now.

9 MR. COFER: Your Honor, the Government calls Tom
10 Bolus.

11 THE COURT: Thank you.

12 THE CLERK: Sir, please raise your right hand.

13 **THOMAS BOLUS, GOVERNMENT'S WITNESS, SWORN**

14 THE CLERK: You may be seated, sir. Speak clearly
15 into the microphone. Please state your first and last name.

16 THE WITNESS: Thomas Bolus.

17 THE CLERK: Spell your first and last name for the
18 record.

19 THE WITNESS: T-h-o-m-a-s B-o-l-u-s.

20 THE CLERK: Thank you, sir.

21 **DIRECT EXAMINATION**

22 **BY MR. COFER:**

23 **Q** Good morning, Mr. Bolus.

24 **A** Good morning, sir.

25 **Q** Where do you work?

1 **A** I work for the Internal Revenue Service, Criminal
2 Investigation Division, in Scranton, Pennsylvania.

3 **Q** And what is the Internal Revenue Service?

4 **A** The Internal Revenue Service is an agency under the
5 Department of Treasury organized by the United States Congress
6 to collect revenue and taxes and also enforce tax laws.

7 **Q** Is it also known as the IRS?

8 **A** Yes, it is.

9 **Q** How long have you worked at the IRS?

10 **A** For 17 years.

11 **Q** What is your current role?

12 **A** I am a court witness coordinator.

13 **Q** And how long have you been doing that?

14 **A** For seven years.

15 **Q** Could you describe your duties as a court witness
16 coordinator.

17 **A** As a court witness coordinator, I primarily represent the
18 Commissioner of the Internal Revenue Service in the
19 Commissioner's custodial duties. So I'm tasked with gathering
20 and retrieving tax returns and other tax-related documents, and
21 I have those documents certified. I certify those documents
22 and bring them into federal criminal trials as evidence.

23 **Q** In how many trials have you testified in as a court
24 witness coordinator?

25 **A** 66.

1 **Q** Through your duties, have you become familiar with various
2 IRS records and systems?

3 **A** Yes, I have.

4 **Q** I would like to generally ask you about a handful of such
5 records and systems that will be discussed in this case.
6 Generally what's a Form 1040?

7 **A** A Form 1040 is a U.S. Individual Income Tax Return. And
8 the Form 1040 is used for taxpayers to reconcile their taxes,
9 and it's due by April 15 of the following year, and that the
10 taxpayers use that form to go through all of the income they
11 received and taxes that were taken out to basically verify if
12 they're due a refund by the IRS because they overpaid or if
13 they owe the IRS money because they didn't pay enough into
14 taxes.

15 **Q** How many individual tax returns, Form 1040s, are filed
16 each year with the IRS?

17 **A** Well, for 2021, we had 264 million filed.

18 **Q** When someone files a Form 1040, does the IRS keep a record
19 of that?

20 **A** Yes, they do.

21 **Q** Are there other types of IRS forms that are used to help
22 complete a Form 1040?

23 **A** Yes, there are.

24 **Q** Can you name some examples?

25 **A** There's instructions and publications that assist the

1 taxpayer to prepare their taxes. There's also schedules and
2 addendums that the taxpayer would use if they're entitled to
3 other exemptions or deductions that they can claim to reduce
4 their taxable income.

5 **Q** What is an account transcript?

6 **A** An account transcript is a historical running transcript
7 of any transaction that takes place on a particular taxpayer
8 based on their social security or business entity, based on a
9 particular tax form, based on a particular tax year or tax
10 period.

11 **Q** How are new entries made onto account transcripts?

12 **A** Some of the entries are made automatically by computer
13 updates and also by individual IRS employees updating a
14 particular transaction that happens because of an action that
15 takes place from the taxpayer between the IRS and the
16 taxpayer.

17 **Q** What is a tax preparer information report?

18 **A** A tax preparer information report would be a particular
19 report that shows the taxpayer -- or the tax preparer. It
20 shows their information, when they applied for a preparer tax
21 identification number, and their address and where they're
22 doing business at.

23 **Q** And how are those updated?

24 **A** So they're updated once the tax preparer is issued a PTIN
25 or a Preparer Tax Identification Number, so that information is

1 contained in the return preparer database as a system of the
2 IRS, and that information is updated as the tax preparer has to
3 complete annual certifications. And also under the preparer's
4 tax identification number as the preparer sends in tax returns
5 under their PTIN, those reports are updated also.

6 **Q** I think you mentioned a PTIN a couple times. What's an
7 EFIN?

8 **A** An EFIN is Electronic Filing Identification Number.
9 That's a six-digit number that's owned by the business or the
10 electronic return originator that is -- has been authorized by
11 the IRS to send tax returns to the IRS electronically over the
12 internet.

13 **Q** How do you get one?

14 **A** The business owners would apply to the IRS, and they would
15 be issued an EFIN by the IRS.

16 **Q** What is the Integrated Data Retrieval System?

17 **A** The Integrated Data Retrieval System is the IRS's
18 mainframe computer system. It stands for -- IDRS is the
19 acronym for it. It has the information, both business master
20 file and individual master file, as well as it has information
21 return's stored data in it that the third party payers are
22 required to tell the IRS when they issue a W-2 or a 1099 or
23 other forms of payment to inform the IRS that they've made
24 payments to persons or taxpayers.

25 **Q** Can you create reports based on information from the

1 IDRS?

2 **A** Yes, I can.

3 **Q** So all of the records you just described that we've went
4 through, is it the regular practice of the IRS to make and keep
5 such records as part of its administration of the revenue
6 system?

7 **A** Yes, it is.

8 **Q** In addition to finding and certifying IRS records as part
9 of your duties, are you sometimes asked to determine whether
10 the IRS does not possess certain records such as when someone
11 has not filed a tax return?

12 **A** Yes, sir.

13 **Q** Do you have full authority and access to search all of the
14 IRS's databases?

15 **A** Yes, I do.

16 **Q** Is there a way to either certify that the IRS lacks
17 certain records?

18 **A** Yes, there is.

19 **Q** What does that entail?

20 **A** So the IRS has a form, Form 3050, and it's a Certificate
21 of Lack of Record form. So that form is basically, I can go
22 through all of my queries and I can list everything that I did
23 to find out if a tax form was, in fact, filed or not, and I
24 could list the taxpayer's name and information, the forms that
25 I searched for and the tax years and taxpayers that I looked

1 for those forms. If I did not find any, I could then certify
2 that those records do not exist in the IRS's data.

3 **Q** Were you asked to review IRS records in connection with
4 this trial?

5 **A** Yes, I was.

6 **Q** And were you also asked to search for the absence of
7 records?

8 **A** Yes, I was.

9 **Q** There should be a few binders sitting in front of you
10 containing documents that are marked with exhibit numbers.

11 **A** Yes, sir.

12 **Q** Have you looked at these binders before?

13 **A** Yes, I have.

14 **Q** Could you please take a moment and review the documents
15 that are marked 1 through 51. Just let me know when you're
16 finished.

17 **A** (Reviewing documents.)

18 Okay.

19 **Q** Do you recognize these exhibits?

20 **A** Yes, I do.

21 **Q** Generally what are they?

22 **A** So it contains tax returns, U.S. Form 1040s, U.S. income
23 tax returns.

24 **Q** Is each of those exhibits an individual return?

25 **A** Yes, they are.

1 **Q** And some of those exhibits, I believe, are divided between
2 A and B. For example, 4A and 4B. Are exhibits marked that
3 way -- is that one individual return, or is that two different
4 returns?

5 **A** So that would be one entire return.

6 **Q** Why is it divided up like that?

7 **A** It's divided because in the beginning of this particular
8 tax year, the system was updated, but it did not include
9 or allow the IRS employees to download more than 15 pages at a
10 time for each tax return that we queried. So I have to print
11 larger tax returns that involve more pages on two separate
12 downloads.

13 **Q** So these documents, are these documents that you were
14 asked to review for this trial in your role as an IRS
15 custodian?

16 **A** Yes, they are.

17 **Q** And are these true and accurate copies of IRS records?

18 **A** Yes, they are.

19 **Q** How do you know that?

20 **A** Because I've reviewed each one of them.

21 **Q** And did you compare it to anything?

22 **A** Yes, I did. I reviewed and compared the information to
23 the data that they represent. As these are electronically
24 filed tax returns, they're really just a picture of the
25 electronic data that's contained in the IRS's IDRS system, so I

1 reviewed that IDRS system against the printouts to verify that
2 the information is correct and true.

3 **Q** I'd like you now to review the documents marked as 52A
4 through 52H. Again, just let me know when you've finished.

5 **A** (Reviewing documents.)

6 Yes, sir.

7 **Q** Do you recognize these documents?

8 **A** Yes, I do.

9 **Q** What are these generally?

10 **A** So Exhibits 52A through 52H are account transcripts.

11 **Q** Are they true and accurate copies of IRS records?

12 **A** Yes, they are.

13 **Q** How do you know that?

14 **A** And, again, I verified the information that's contained on
15 it against the IRS's computer database.

16 **Q** All right. Could you please now review Exhibits 53
17 through 70.

18 **A** I'm sorry, 53 through?

19 **Q** 70. 53 through 70.

20 **A** (Reviewing documents.)

21 Okay.

22 **Q** Do you recognize these documents?

23 **A** Exhibits 53 through 70 contain printouts of publications
24 and instructions for particular tax returns and other schedules
25 and attachments for the tax years 2015, '16 and 2017.

1 Q Is that what you were describing earlier, for example,
2 when you were talking about instructions and publications that
3 come with Forms 1040, for example?

4 A Yes, sir.

5 Q Are these types of instructions publicly available?

6 A Yes, they are.

7 Q How can you get them?

8 A So you could go into IRS.gov on the internet, request or
9 download it or view it. You could also call the IRS's toll
10 free number, or you could come into any IRS office and ask for
11 the publication and they'll provide you one.

12 Q From your review of those exhibits, are those the same as
13 the ones that are publicly held?

14 A Yes, they are.

15 Q Next could you please review documents marked 82A through
16 82D.

17 A (Reviewing documents.)

18 Okay.

19 Q What are these?

20 A Exhibits 82A through 83A are Certification of Lack of
21 Records form.

22 Q I'm sorry, just to clarify, is it 82A through 82D? I
23 think you said 83 --

24 A I went a little further, I guess.

25 Q That's okay.

1 **A** 82D. Yeah, they are certification of lack of records.

2 **Q** We're talking about 82A through 82D, correct?

3 **A** Yes.

4 **Q** And, again, what are these?

5 **A** These are certified -- Certification of Lack of Record
6 Form 3050.

7 **Q** Did you help prepare these certifications?

8 **A** Yes, I did.

9 **Q** Did you follow the process you described previously --

10 **A** Yes, I did.

11 **Q** -- when searching for lack of records?

12 All right. Next could you now please review the single
13 document marked as Exhibit 83A.

14 **A** 83A?

15 **Q** Yes.

16 **A** 83A is a tax preparer information report for a PTIN.

17 **Q** Is that a true and accurate IRS record?

18 **A** Yes, it is.

19 **Q** How do you know that?

20 **A** Because it's been retrieved from the IRS's return preparer
21 data system.

22 **Q** Is that something you verified?

23 **A** Yes, it is.

24 **Q** Now please look at Exhibit 83B. And what's that?

25 **A** Exhibit 83B is a certification of the IRS's e-file

1 application summary for an EIN.

2 **Q** Is that a true and accurate IRS record?

3 **A** Yes, it is.

4 **Q** How do you know?

5 **A** Because I verified it from the IRS's employee user
6 portal.

7 **Q** Please now look at 83C. What's that?

8 **A** So 83C, Exhibit 83C is a preparer information report.

9 **Q** Is that also a true and accurate IRS record?

10 **A** Yes, it is.

11 **Q** How do you know that?

12 **A** Because I verified it from the IRS's return preparer data
13 system.

14 **Q** Please look at what is marked as Exhibit 84. What is that
15 generally?

16 **A** So Exhibit 84 contains printouts from the Integrated Data
17 Retrieval System.

18 **Q** Is that a true and accurate IRS record?

19 **A** Yes, it is.

20 **Q** How do you know?

21 **A** Again, I verified the information that's contained -- even
22 though some of it's historical, I was able to verify the
23 information in the IDRS system.

24 **Q** Finally, could you please look at what are marked as
25 Exhibits 85A through 85C.

1 **A** Yes, sir.

2 **Q** What are these documents generally?

3 **A** These are -- Exhibits 85A through 85C are publications
4 related to business expenses and depreciation and other things
5 for a business.

6 **Q** Are these the publications you talked about earlier that
7 the IRS makes publicly available?

8 **A** Yes, they are.

9 **Q** And do you recognize these specific exhibits to be the
10 same as the publicly available publications that the IRS
11 provides --

12 **A** Yes, I do.

13 MR. COFER: Your Honor, Court's indulgence one
14 moment, please.

15 Your Honor, at this time the Government moves to
16 admit the following exhibits into evidence: Exhibits 1 through
17 6B, 9 through 11B, 14 through 15, 18A through 22B, 29 through
18 31, 33 through 34, 37 through 38B and 41 through 43.

19 One more moment, please. That's it, Your Honor.

20 THE COURT: Any objection?

21 MR. RUTER: No, sir.

22 THE COURT: So Exhibits 1 through 6B, 9 through 11B,
23 14 and 15, 18A through 22B, 29 through 31, 33, 34, 37 through
24 38B, and 41 through 43 are in evidence.

25 MR. COFER: Thank you, Your Honor.

1 THE COURT: Are you offering any of the other ones?
2 Those are all just marked for identification at this point?

3 MR. COFER: Those are all just marked for
4 identification at this point, Your Honor. If I may have one
5 moment to confer with co-counsel, please.

6 Yes, that's it for now, Your Honor.

7 THE COURT: Okay.

8 BY MR. COFER:

9 Q Mr. Bolus, what are the different ways that an individual
10 taxpayer can submit their tax return to the IRS?

11 A So the two basic ways that tax returns are submitted and
12 received by the taxpayers to the IRS are either on paper filed
13 where they're mailed to the IRS, or they're filed
14 electronically and sent to the IRS over the internet.

15 Q I'd like to now turn your attention to Exhibit 2, and
16 we're going to pull that up on the screen.

17 MR. COFER: Mr. Mahoney, could we please publish
18 Exhibit 2 to the jury.

19 Q Mr. Bolus, can you see Exhibit 2 on the screen. I think
20 maybe to your left it should be showing up. Sorry, not on the
21 binders, Mr. Bolus. On the screen to your left.

22 A Oh, I didn't notice that.

23 Q Sorry, switching it up. Is that showing up for you
24 there?

25 A Yes, sir.

1 Q Looking at Exhibit 2, is this an individual return?

2 A Yes, it is.

3 Q Can you tell from looking at it how this return was
4 filed?

5 A Yes, I can.

6 Q How was it filed?

7 A This return was filed electronically.

8 Q How does the IRS process returns that are filed
9 electronically?

10 A So the IRS receives the tax return over the internet and
11 then the tax return -- I'm sorry, the IRS receives tax return
12 data over the internet, so the byline information that's
13 contained on what would be a 1040 if you did it on paper is
14 received in data at the IRS's front-end computer system in
15 Martinsburg, West Virginia. That's after it's been transmitted
16 over the internet. Then it's placed into a tax return data
17 file and then can be retrieved later either by data or in a
18 graphic picture-looking view that we see this printout as.

19 Q So this return we're looking at here, that's a graphical
20 representation of an electronically-filed return?

21 A Yes, it is.

22 Q So looking at Exhibit 2 here on the first page, I see in
23 the top, right corner, there's a number preceded by "DLN."
24 What does that mean?

25 A Yes, sir. DLN is the document locator number. That's a

1 14-digit serial number that the IRS issues or places on each
2 tax return, particular tax return, after it has been received
3 and finished processing and is included now on the IRS's data
4 system.

5 **Q** Just to clarify, is that a unique identifier for each
6 return?

7 **A** Yes, sir, it's unique to this tax return.

8 MR. COFER: Mr. Mahoney, could we please turn to
9 page 4.

10 **Q** Mr. Bolus, in the box there -- in the box there that says
11 "sign here," there appear to be some asterisks under what says
12 "your signature." What do those asterisks signify?

13 **A** So the asterisks under the sign-here block represent the
14 taxpayer's personal identifying number. Because the IRS -- tax
15 preparer can't see the taxpayer's PIN or personal identifying
16 number, the IRS masks that so nobody knows what the taxpayer's
17 true PIN is.

18 **Q** Why do we see that instead of a real signature?

19 **A** To protect the taxpayer's identity.

20 **Q** Is that a specific feature of electronically-filed
21 returns?

22 **A** Yes, it is.

23 **Q** Looking at the box just below that that says "paid
24 preparer use only," what is that box for?

25 **A** That box would be completed if the taxpayer went to a

1 preparer who's been authorized and sanctioned by the IRS to use
2 official tax software to file their taxes to the IRS
3 electronically.

4 **Q** I see there's a box for, it says "preparer's signature."
5 This one appears blank. Do you know why that is?

6 **A** Because this was sent into the IRS using a PTIN or
7 preparer tax identifying number.

8 **Q** So should we be seeing a signature there?

9 **A** No, sir.

10 **Q** Is that another feature of electronically filed returns?

11 **A** Yes, it is.

12 **Q** I think you mentioned PTIN, you might have told us a
13 little bit about it before. Looking at the box kind of in the
14 middle on the right, it says "PTIN." Can you remind us what a
15 PTIN is again.

16 **A** Yeah. So the PTIN is the individual number that the IRS
17 has issued to a particular preparer to allow that preparer to
18 prepare taxes in the community for a fee, and then they're able
19 to generate that tax return electronically eventually to come
20 to the IRS over the internet.

21 **Q** If you're a preparer, can you file a tax return on behalf
22 of someone else without a PTIN?

23 **A** No, you cannot.

24 MR. COFER: If we could turn back to page 1, please,
25 Mr. Mahoney.

1 **Q** So, Mr. Bolus, I'd now like to ask you a little bit about
2 the Form 1040, using this one here as an example just to orient
3 the jury to what they'll be looking at over the course of this
4 trial. So, again, you told us about a Form 1040 but looking at
5 it now, can you just describe very generally how does it
6 work?

7 **A** Yes, sir. So the Form 1040 lists the form number of the
8 year and it has the taxpayer's personal identifying number --
9 I'm sorry, personal identifying information. Then it lists
10 their filing status, exemptions. Then they just go through the
11 form from lines 7 through the end to calculate their taxes that
12 they may owe or may be due back to them.

13 MR. COFER: Can we please look at page 3.

14 **Q** Mr. Bolus, at the bottom there, it looks like you see a
15 line 78 and 79 in the box called "amount you owe." You're
16 describing how this works; if you start back up at line 7 or 1,
17 how do you get down to line 78? What do you need to do?

18 **A** You would complete all of the blocks preceding line 78
19 with your information to arrive at -- if you owed money, then
20 it would be included in this line 78.

21 **Q** So does the form itself, if you start at line 7, for
22 example, will it kind of show you how to get to line 78? Do
23 you just follow it?

24 **A** Yes, sir. If you just follow the form down, you'll arrive
25 at the last section.

1 MR. COFER: If we could zoom out, please.

2 Q Just the above "the amount you owe" box, see a box called
3 "refund." What's a refund?

4 A Refund would be the amount of money due to the taxpayer if
5 they had, like, too much taxes taken out of their tax, out of
6 their income during the year, so then the IRS would owe that
7 taxpayer a refund.

8 Q So looking at this exhibit in line, I guess 76a, could you
9 read lines 76a, please.

10 A Yes, sir. So line 76a says, "Amount of line 75 you want
11 refunded to you. If Form 8888 is attached, check here." Then
12 it has the income amount 76a of \$10,766.

13 Q So that \$10,766, that's what is on this return requesting
14 a refund?

15 A Yes, it is.

16 MR. COFER: All right. Mr. Mahoney, could we please
17 go back to page 1. Could we zoom in on line 12, please.

18 Q Mr. Bolus, could you please read line 12 of the return.

19 A Yes, sir. So line 12 is "Business income or loss and
20 attach Schedule C or C-EZ."

21 Q On this return in the box to the right of line 12, what's
22 the amount there?

23 A It lists the loss of negative \$33,739.

24 Q All right. This line refers to a Schedule C.

25 MR. COFER: Mr. Mahoney, could we please turn to

1 page 23.

2 **Q** Mr. Bolus, are we looking at a Schedule C?

3 **A** Yes, we are.

4 **Q** What's a Schedule C?

5 **A** So the Schedule C is a profit or loss statement or profit
6 or loss from a business that is a sole proprietorship business
7 of that person. In other words, not a corporation or a
8 partnership-type business. It's a personal, like usually a
9 smaller business that the person owns themselves.

10 **Q** So is this form, is that used to get the number that's on
11 line 12 of the 1040?

12 **A** Yes, it is.

13 MR. COFER: All right. Could we please now,
14 Mr. Mahoney, return to page 3 of the exhibit. Can we zoom in
15 on line 40 there at the top.

16 **Q** All right. Mr. Bolus, could you please read line 40.

17 **A** "Itemized deductions from Schedule A or your standard
18 deduction." That explains the standard deduction in the left
19 margin.

20 **Q** I'm going to pause there for a second.

21 MR. COFER: Mr. Mahoney, can we zoom back out and
22 could we do the entire box so we see that whole standard
23 deduction box on the left. I'm sorry, let me give better
24 instructions. Take your cursor, please, from the top left of
25 Tax and Credits and take that back all the way down to line 56.

1 Perfect, right there.

2 **Q** So Mr. Bolus, I had you read line 40. So you mentioned a
3 standard deduction. Is that what's described here in this left
4 box?

5 **A** Yes, it is.

6 **Q** And the amounts listed there, I think I see 6,300, 12,600,
7 9,300, are those the amounts of the standard deduction for this
8 year?

9 **A** Yes, sir.

10 **Q** So it says, "Itemized deductions or your standard
11 deduction." What's an itemized deduction?

12 **A** So an itemized deduction would be particular deductions
13 that the taxpayer would be allowed to claim, and then they
14 would have to submit a Schedule A to list those deductions in
15 particular so that they could attach that.

16 **Q** So reading the box or the amount that's in the box next to
17 line 40, could you please read that amount.

18 **A** It's \$25,629.

19 **Q** Does that appear that this return is taking the itemized
20 deductions or the standard deduction?

21 **A** The itemized deduction, sir.

22 **Q** And next to itemized deduction, reading at line 40 again,
23 it says "from Schedule A."

24 MR. COFER: Mr. Mahoney, could we please now turn to
25 page 21 of this exhibit.

1 Q Mr. Bolus, are we looking at a Schedule A?

2 A Yes, we are.

3 Q What's a Schedule A?

4 A So the Schedule A is the itemized deduction schedule.

5 Q Okay. So similar to Schedule C, do you use Schedule A to
6 calculate the itemized deductions that are going to appear on
7 line 40 of the Form 1040?

8 A Yes, sir.

9 MR. COFER: Your Honor, could I have one more moment,
10 please.

11 Your Honor, no further questions.

12 THE COURT: Okay, thank you. Mr. Ruter, any
13 cross-examination?

14 MR. RUTER: If I could. Thank you, Your Honor.

15 THE COURT: Yes, of course.

16 **CROSS-EXAMINATION**

17 **BY MR. RUTER:**

18 Q Good morning, Mr. Bolus.

19 A Good morning, sir.

20 Q You explained what an account transcript is just a few
21 moments ago; is that correct?

22 A Yes, sir.

23 Q When you look at that account transcript which is a part
24 of the records kept by the IRS, can you know whether or not the
25 numbers on that account transcripts are accurate?

1 **A** Yes, sir. They come from the information that we
2 receive.

3 **Q** Okay. Whether or not the information you received is
4 accurate, you would not know that, would you?

5 **A** Not personally, sir.

6 **Q** All right. You indicated that one applies for an EFIN
7 number?

8 **A** Yes, I did, sir.

9 **Q** Could a taxpayer who's doing his or her own records apply
10 for an EFIN number just for themselves?

11 **A** No, they couldn't, sir. They would have to be an
12 established business to do --

13 **Q** So they would have to be a tax preparer, as an example?

14 **A** Yes, sir.

15 **Q** How would the tax preparer go about getting an EFIN
16 number?

17 **A** So they would apply on the internet through the IRS's
18 portal and provide their information about their business,
19 their location, the makeup of their business, and that would go
20 through a suitability check which is a basic background check
21 of the business. If everything looks okay or checks out okay,
22 the IRS would then issue the six-digit EFIN number to that
23 electronic return originator or the owner of the business.

24 **Q** Could you then describe, for lack of a better phrase, the
25 background check, the suitability check? What does that

1 consist of before the EFIN number can be actually given to the
2 person who's seeking it?

3 **A** Yes, sir. So that background check is kind of a minimal
4 background. Of course, tax compliance is a priority of the
5 background or suitability check, just to verify that the
6 business exists and that's there's no -- anything that would
7 preclude that business from operating properly in the
8 community.

9 **Q** Okay. Could you give us some examples of information that
10 would cause the IRS not to award an EFIN number to a person
11 because they were not suitable?

12 **A** Perhaps if the person that owns the business may be a
13 felon, a convicted felon, that could prevent them from
14 obtaining an EFIN.

15 **Q** Is there anything in that suitability check that has to do
16 with the credentials of the taxpayer in terms of his or her
17 knowledge of the tax laws, as an example?

18 **A** Not particularly, sir.

19 **Q** Okay. Then you talked about a PTIN number, right?

20 **A** Yes, sir.

21 **Q** That's the actual preparer's identification number, the
22 tax preparer's identification number; is that right?

23 **A** Yes, it is.

24 **Q** What are the requirements for a tax preparer to receive
25 the PTIN designation?

1 **A** So similar to the EFIN application, they can apply online,
2 submit their information, that they want to prepare taxes in
3 the community for a fee, and then the IRS would conduct a
4 suitability check on that person based on their Social Security
5 number and other background information and grant the PTIN or
6 not.

7 **Q** Would that suitability check be almost identical to the
8 EFIN suitability check?

9 **A** It's very similar, sir. We're not talking about like a
10 classified security check, you know, suitability check or
11 background investigation but just basic information, such as if
12 you were applying to be a soccer coach in the community. Some
13 of that information would be similar.

14 **Q** You give that as an analogy. With that analogy, it would
15 be true, as an example, that if you wanted to be a soccer
16 coach, what you're saying is a suitability check may do with
17 whether or not that person is a convicted felon but perhaps not
18 whether or not he's suited to be a coach?

19 **A** Yeah, I mean, some systems are not 100 percent reliable or
20 accurate. But regardless if the PTIN was issued, it passed the
21 test --

22 **Q** Yes, sir. I want to make sure, Mr. Bolus, that I'm
23 understanding it properly. What you're saying, if I understand
24 it, is that there's no check as far as the IRS is concerned per
25 the EFIN and PTIN to check whether or not that person is really

1 qualified with knowledge about how to go about preparing
2 somebody's tax returns. Is that a fair statement?

3 **A** Yes, it is, sir.

4 **Q** Okay. You've already testified that -- and there's
5 evidently some documents that you examined that indicate when a
6 taxpayer has not filed returns; is that right?

7 **A** That's correct, sir.

8 **Q** In your experience, has there ever been any time where tax
9 returns were actually received by the IRS but for whatever
10 reason, such as perhaps employees of the IRS throwing tax
11 returns in a basket or trash can, that the actual returns never
12 did get recorded?

13 **A** I don't personally know of any instances of that, sir.

14 **Q** Okay. You testified there's a new system at the IRS which
15 does not permit the IRS employees to batch more than 15 pages
16 at a time.

17 **A** It's a temporary glitch in the system. It's more like --
18 because the system was -- updates every year to prepare us for
19 the new tax year of batches coming into us. So the system
20 didn't quite allow us to print more or voluminous tax
21 returns.

22 **Q** Okay. Without getting too technical about it, would it be
23 better, if you would, that the system would allow every single
24 page of a particular return to be printed in one batch rather
25 than in segments of 15?

1 **A** Well, I mean, it's less of a headache.

2 **Q** Right --

3 **A** -- the person that's downloading the information. Because
4 now we have to click on the brackets of information and then go
5 back and click the second bracket to gain the additional
6 pages.

7 **Q** Perhaps that glitch may be fixed by the time we get around
8 to the next tax year?

9 **A** Yes, sir. My group in particular is pushing hard to get
10 this resolved.

11 **Q** Understood. You examined, if I understand it -- this is
12 in Exhibit 53, I believe. You were asked to look at that
13 Exhibit 53 and, if I understand it, it's a publication?
14 Exhibit 53 is a publication?

15 **A** Yes, sir, it is.

16 **Q** And do you recall what that publication was for?

17 **A** I believe it was the 2015 Form 1040.

18 **Q** Okay. Am I accurate to say that publication is 105 pages
19 long?

20 **A** If I remember right, it is, sir.

21 **Q** Yeah. And that's a publication that all of us could get
22 in order for us to figure out how to use the 1040?

23 **A** Yes, sir.

24 **Q** 106 pages.

25 **A** Yes, it is.

1 Q Then Exhibit 54 is another publication. I think that's
2 for the 1040 as well but for a subsequent year?

3 A Yes, it is for 2016.

4 Q 2016. And that one is 106 pages long?

5 A You're probably right on that one, sir. I can't recall
6 the actual amount.

7 Q Again, that's a publication so all of us can sit down and
8 read 106 pages to figure out how to fill out the 1040; is that
9 accurate?

10 A Yes, sir.

11 Q And then I think the same thing for 2017?

12 A Yes, it is.

13 Q If I understand it, Exhibit 85A, which you looked at, was
14 a publication for business expenses?

15 A Yes, sir.

16 Q That publication is 52 pages long; is that right?

17 A Yes, sir.

18 Q Exhibit 85B, if I understand it, is for home business
19 expenses; is that correct?

20 A Yes, it is, sir.

21 Q That's 34 pages long?

22 A Yes, sir.

23 Q And again, that is -- for those who want to read it --
24 it's to help those people understand through those 34 pages how
25 to fill out another form which deals with home business

1 expenses; is that right?

2 **A** Yes, it is, sir.

3 **Q** Exhibit 85C, I believe, is a form that deals with -- or
4 publication that deals with how and when to take
5 depreciation --

6 **A** The instructions --

7 **Q** Is that right?

8 **A** Yes, sir.

9 **Q** And that's 113 pages long; is that right?

10 **A** Yes, it is, sir.

11 **Q** And that publication is designed to help all of us,
12 through reading 113 pages, figure out how it is and what it is
13 that we're able to depreciate on our tax returns; is that
14 right?

15 **A** Yes, sir.

16 **Q** You had been shown by counsel some documentation as to a
17 taxpayer named Debra Cannon. Do you recall that just a few
18 minutes ago?

19 **A** Yes, I do, sir.

20 **Q** You have no knowledge at all as to the accuracy of any
21 numbers that were shown to you this morning; is that right?

22 **A** That's correct. I only know what was submitted to the IRS
23 over the internet.

24 **Q** Yes, sir.

25 MR. RUTER: With that, I have no other questions.

1 Thank you, sir.

2 THE COURT: Thank you very much. Any redirect?

3 MR. COFER: One moment, please, Your Honor.

4 Just briefly, Your Honor.

5 THE COURT: Okay.

6 MR. COFER: Could we please, Mr. Mahoney, pull up
7 Exhibit 4A.

8 **REDIRECT EXAMINATION**

9 **BY MR. COFER:**

10 **Q** Mr. Bolus, you were describing the issue with some of the
11 returns where it's 15 pages at a time?

12 **A** Yes, sir. We had to split up the download basically.

13 **Q** Right. Could you please look up at the top right corner
14 of this one. This is Exhibit 4A.

15 **A** Yes, sir.

16 **Q** Could you read the page range there.

17 **A** Yes, page 1 of 53.

18 **Q** Could you look at the DLN as well.

19 **A** The DLN begins with 14, ends with 4766.

20 MR. COFER: Mr. Mahoney, could we please publish
21 Exhibit 4B, that first page.

22 **Q** Mr. Bolus, could you read the DLN again for this exhibit.

23 **A** Yes, sir. It starts with 14 and ends with 4766.

24 **Q** Is that the same DLN as the previous exhibit?

25 **A** Yes, it is.

1 Q So 4A and 4B, we're talking about the same return?

2 A Yes, sir.

3 Q Is it possible that the chunks for some employees could go
4 up to around 50 pages?

5 A Yes, sir. 15 is what the system tells us, but if we click
6 them all it may include subsections or subschedules so that
7 they all get in the print bracket.

8 Q Okay. So just to clarify, 4A and 4B are the same
9 return?

10 A Yes, they are, sir.

11 MR. COFER: All right. Nothing further, Your
12 Honor.

13 THE COURT: Nothing else?

14 MR. RUTER: No, thank you.

15 THE COURT: Thank you, Mr. Bolus. We appreciate you
16 coming to testify. You can step out now.

17 Ladies and gentlemen, as I mentioned, we take a
18 mid-morning and mid-afternoon break, but when we're changing
19 witnesses, there's sometimes an opportunity to stand up and
20 stretch, move around a little bit, get the circulation going so
21 you can always feel free to do that.

22 While you're doing that, Mr. Morgan, is there another
23 witness?

24 MR. MORGAN: The United States calls Darlene Hall.

25 THE COURT: Okay.

1 THE CLERK: Ms. Hall, please come forward. Please
2 walk towards me. Remain standing and please raise your right
3 hand.

4 **DARLENE HALL, GOVERNMENT'S WITNESS, SWORN**

5 THE CLERK: You may be seated, please. Speak clearly
6 into the microphone. Please state your first and last name.

7 THE WITNESS: Darlene Hall.

8 THE CLERK: And spell your first and last name for
9 the record.

10 THE WITNESS: D-a-r-l-e-n-e, Hall, H-a-l-l.

11 THE CLERK: Thank you, ma'am.

12 THE COURT: Go ahead, Mr. Morgan.

13 MR. MORGAN: Thank you, Your Honor.

14 **DIRECT EXAMINATION**

15 **BY MR. MORGAN:**

16 **Q** Good morning, Ms. Hall.

17 **A** Good morning.

18 **Q** Are you currently employed?

19 **A** No, I'm retired.

20 **Q** When did you retire?

21 **A** In 2009.

22 **Q** Prior to your retirement, where did you work?

23 **A** U.S. Department of Housing and Urban Development, Office
24 of Inspector General.

25 **Q** What did you do there?

1 **A** I was the Freedom of Information Act officer.

2 **Q** In that role, what were your duties?

3 **A** Well, the public write in for particular documents, and I
4 reviewed them and redact them accordingly.

5 **Q** Are you married?

6 **A** Yes, I am.

7 **Q** Did your husband work?

8 **A** Yes.

9 **Q** Is he working currently?

10 **A** He's retired as well.

11 **Q** When did he retire?

12 **A** In 2015.

13 **Q** How far did you get in school?

14 **A** High school, graduated from high school, one year of
15 business school.

16 **Q** Did you ever receive any specific training in taxes and
17 tax preparation?

18 **A** No.

19 **Q** Did you ever take any classes about taxes or tax
20 preparation?

21 **A** No.

22 **Q** Have you ever prepared your own taxes?

23 **A** No.

24 **Q** So do you use a tax preparer?

25 **A** Yes.

1 Q Why do you use a tax preparer rather than doing it
2 yourself?

3 A Because I don't know anything about taxes. I don't know
4 how to do them.

5 Q Do you know an individual named Ronald Watson?

6 A Yes.

7 Q Do you see him here in the courtroom today?

8 A Yes.

9 Q Could you please identify him by an article of clothing.

10 A Sitting with a black suit on.

11 MR. MORGAN: Your Honor, I would ask that the record
12 reflect that the witness has identified the defendant,
13 please.

14 THE COURT: Yes.

15 MR. RUTER: No objection, Your Honor.

16 THE COURT: Yes, it will.

17 MR. MORGAN: Thank you.

18 BY MR. MORGAN:

19 Q How do you know him?

20 A He was referred to me to do my tax one year.

21 Q By whom was he referred?

22 A He was referred to me by my brother.

23 Q And do you remember about how long he was your tax
24 preparer?

25 A He was for several years.

1 Q Can you describe your relationship with Mr. Watson. Did
2 you know him outside of tax preparation?

3 A No, I did not.

4 Q About how many times per year would you speak with him?

5 A Just once a year whenever he did my taxes.

6 Q Where did you meet with him?

7 A The first -- I think it was the very first time he came to
8 my house. After that, I always met with him at his office in
9 Landover.

10 Q That's here in Maryland?

11 A Yes.

12 Q Do you live here in Maryland as well?

13 A Yes.

14 Q The office, can you describe what the office looks like.

15 A You come in -- I forgot what floor it was on, but there
16 was a receptionist there. It was a well-established business.
17 Receptionist there; I went in and gave her my name and sat down
18 and wait for Mr. Watson to come out and bring me in.

19 Q When you came to his office each year, did you bring any
20 paperwork with you?

21 A Yes, I brought my taxes, my --

22 Q Like what kind of documents would you bring with you from
23 your house to the office?

24 A Like the -- my mortgage interest and paperwork that showed
25 that I gave to charity and, you know, things like that.

1 Q When you were in the office, did you ever work with
2 anybody other than Mr. Watson?

3 A It was only Mr. Watson.

4 Q And approximately how long did these meetings last?

5 A About 40, 45 minutes.

6 Q Did you file your taxes jointly with your husband?

7 A Yes.

8 Q Was your husband with you during these meetings as well?

9 A No.

10 Q During those meetings, did you ever see Mr. Watson, to
11 your recollection, take any notes?

12 A Yeah, sometimes he would write down something, or else he
13 would turn around and do whatever he do on the computer.

14 Q Were you able to see what he was writing on the notes?

15 A No.

16 Q When you say turn around and use the computer, describe
17 the office itself.

18 A When you walk in, it was a small office. His computer was
19 in the back of him. When he talked to me, he had to turn
20 around and face me.

21 Q Was this a desk in between the two of you?

22 A There was a desk, yeah.

23 Q Were you able to read the text clearly that was on the
24 computer screen behind him?

25 A No.

1 Q So were you able to tell what information he was putting
2 into the computer?

3 A No, I was not.

4 Q Did you have a business?

5 A No.

6 Q And how were you earning money or getting money in 2015,
7 2016 and 2017?

8 A I was retired from the federal government.

9 Q Did you get any money any other way?

10 A Every so often -- I was babysitting for my daughter and
11 she would give me money here and there, but it wasn't nothing
12 substantial.

13 Q Can you describe -- when you talk about babysitting your
14 grandchildren, can you describe what you did for them
15 specifically?

16 A Well, I picked them up from school every day, Monday
17 through Friday, brought them to my house or else took them to
18 their house and fed them. That was the extent of it.

19 Q And for how long did you do that?

20 A For years. My oldest is 17 so I practically did it the
21 whole time, you know, when she first started school pretty
22 much.

23 Q Are you still doing it to this day?

24 A Yes.

25 Q Would you pick them up from school every day of the week

1 typically?

2 **A** Yeah, Monday through Friday, uh-huh.

3 **Q** Where is their school?

4 **A** It's in D.C.

5 **Q** How far --

6 **A** Over the years it's been several places, but right now
7 it's in D.C.

8 **Q** That was true for 2015 and '16 and '17 as well --

9 **A** Yeah, I think so, yeah.

10 **Q** Approximately how long would it take you to get from your
11 house to the school?

12 **A** Maybe about 35 to 40 minutes.

13 **Q** And approximately when would you pick them up?

14 **A** Around 3:30, quarter to 4:00.

15 **Q** Then you would take them back to your house?

16 **A** Mm-hmm.

17 **Q** Or sometimes you would take them to their own house?

18 **A** Mm-hmm.

19 **Q** If you took them back to your own house, approximately
20 what time would your daughter come to pick up your
21 grandchildren?

22 **A** Maybe around 6:30, 7:00.

23 **Q** Okay. So you would typically watch the children for about
24 two to three hours; is that what you're saying?

25 **A** Uh-huh.

1 Q Were you paid for this?

2 A No. Like I said, every once in a while, my daughter gave
3 me money in cash but I never -- you know, nothing
4 substantial.

5 Q Would you be able to approximate how much you received
6 from your daughter? Could you guess about how much?

7 A Somewhere around -- she would give me like \$100 a month
8 but it wasn't every month. So maybe around 6-, 700, if that.

9 Q Why did you do this? Why did you pick up the children and
10 watch them after school?

11 A Well, they're my grandkids and that's what my daughter --
12 she needed the help.

13 Q So you weren't doing it to make money?

14 A No.

15 Q You weren't doing it to operate a business?

16 A No.

17 Q Would you have done it for free?

18 A Of course, yeah.

19 Q So did you tell Mr. Watson about this activity?

20 A Yes, I did.

21 Q Can you please describe those conversations that you had
22 with him about that.

23 A Well, when we sat down, first thing he asked me if I had a
24 business. I said no. I said, "Only thing I do is take care of
25 my grandchildren; I have two." That's what the extent of it,

1 you know. I don't have a business.

2 Q Did he ask you about any expenses that you might have had
3 related to taking care of your grandkids?

4 A Yes.

5 Q Tell us about --

6 A So I tried to tell him what expenses that I had because he
7 specifically asked me, you know.

8 Q Can you give some examples of the types of expenses that
9 he would ask about?

10 A Basically how much gas did I use going back and forth, how
11 far was the school. If I used, like, electricity or different
12 things in the household, you know.

13 Q Would you sometimes feed the children as well?

14 A Yeah, uh-huh.

15 Q Would he ask about expenses related to that?

16 A Well, he just asked whatever expenses I incurred in taking
17 care of my grandchildren.

18 Q So typically after you have these conversations with
19 Mr. Watson during your meeting, what happened at the end?

20 Would you receive paperwork?

21 A Yes, he would fix my tax papers up and give them to me to
22 sign or whatever.

23 Q Did you sign it?

24 A Yeah.

25 Q And did he go over the tax return with you before you

1 signed it?

2 **A** No, no.

3 **Q** What, if anything, did he say to you during this
4 process?

5 **A** Well, really wasn't saying anything. He just did my tax
6 papers and asked me to sign it, you know. I didn't really
7 review it, you know. He didn't go over step by step what he
8 was doing.

9 **Q** Would he tell you how much, if any, refund you were going
10 to get back?

11 **A** Yeah, it was on the tax paper. Uh-huh.

12 **Q** Do you recall how he got paid for this service?

13 **A** You know, I'm not sure because I don't know whether he got
14 paid before I got my tax stuff. I don't know how he got paid,
15 I really don't. Because I didn't write him a check or anything
16 like that.

17 **Q** How did you receive your refund if you --

18 **A** It went directly to my bank.

19 **Q** I'd like to please show you Exhibit No. 29.

20 MR. MORGAN: If we could enlarge the top portion,
21 please, from where it says 1040 down through -- that's fine,
22 thank you.

23 **Q** Do you see this, ma'am?

24 **A** Uh-huh, yes.

25 **Q** Do you see at the top where it says Form 1040, U.S.

1 Individual Tax Return, 2015?

2 **A** Uh-huh.

3 **Q** Under that there are some names listed. Do you see the
4 names?

5 **A** Robert W. and Darlene Hall.

6 **Q** Is that your name and your husband's name?

7 **A** Yes.

8 MR. MORGAN: If we could please enlarge line 12.

9 **Q** Do you see here this Income section and line 12, do you
10 see line 12?

11 **A** Yes.

12 **Q** Could you please read the text next to line 12.

13 **A** "Business income or loss. Attach Schedule C or C-EZ."

14 **Q** Is there an amount in the box associated with number 12
15 for business income or loss?

16 **A** \$37,929 negative.

17 **Q** Negative 37,929?

18 **A** Uh-huh.

19 **Q** Did you provide Mr. Watson with this number?

20 **A** No.

21 **Q** Did he explain anything to you about business losses?

22 **A** No.

23 MR. MORGAN: Could we please go to page 22 of
24 Exhibit 29, please. At the top, please enlarge the portion
25 there, please. Thank you.

1 Q Do you see this at the top where it's Schedule C, Form
2 1040, Profit or Loss From Business, year 2015? Do you see the
3 top?

4 A Yes.

5 Q Underneath that there's a box that says "name of
6 proprietor". Do you see where it says name of proprietor?

7 A Yes.

8 Q Who is the proprietor of the business for this
9 Schedule C?

10 A Darlene D. Hall, me.

11 Q Underneath that on line A where it says, "Principal
12 business or profession, including product or service," is there
13 something entered in there?

14 A It says, "Child day care services."

15 Q For the business name at line C, is there a business name
16 listed there?

17 A Darlene Hall.

18 MR. COFER: If we could scroll down to the Expenses
19 section -- actually, please stop there.

20 Q Do you see Part I where it's titled Income?

21 A Yes.

22 Q Line 1 says, "Gross receipts or sales." Do you see that
23 portion?

24 A Yes.

25 Q For box No. 1, is there an amount listed there for gross

1 receipts or sales --

2 **A** It's \$600.

3 **Q** Thank you.

4 MR. MORGAN: Moving down, Mr. Mahoney, to Part II,
5 Expenses.

6 **Q** Do you see Part II where it says Expenses, "Enter expenses
7 for business use of your home only on line 30"? Do you see
8 that at the top?

9 **A** Yes.

10 **Q** I'd like to turn your attention to line No. 15. Do you
11 see that there on the left?

12 **A** Yes.

13 **Q** What's the text next to line 15?

14 **A** "Insurance, other than health."

15 **Q** Is there a number associated with the insurance in box
16 15?

17 **A** 2,000.

18 **Q** Did you have any insurance related to taking care of your
19 children in --

20 **A** No, I did not.

21 **Q** What kind of insurance did you have at all that year?

22 **A** I had health insurance, my husband and I, and of course
23 mortgage insurance.

24 **Q** Did you speak with Mr. Watson about your homeowner's
25 insurance or mortgage?

1 **A** No, no.

2 **Q** Did you provide him with that \$2,000 figure for this?

3 **A** No.

4 **Q** Do you remember him discussing that \$2,000 of expenses
5 there with you?

6 **A** No, no.

7 **Q** Next I'd like to direct your attention, please, over to
8 line 20. Do you see line 20 where it says "rent or lease,"
9 sort of on the right-hand side?

10 **A** Yes.

11 **Q** For 20b where it lists "other business property," do you
12 see that line as well?

13 **A** Yeah.

14 **Q** Is there an amount associated with 20b in that box?

15 **A** \$4,500.

16 **Q** All right. Did you rent or lease anything at all in
17 2015?

18 **A** No.

19 **Q** Did you tell Mr. Watson that you rented or leased \$4,500
20 worth of other business property for a business or profession
21 for child day care services?

22 **A** No.

23 **Q** Did Mr. Watson tell you he was putting that number on the
24 form?

25 **A** No.

1 Q Did he review this form with you before it was filed?

2 A No.

3 Q Do you own your home?

4 A Yes.

5 Q Do you own your car?

6 A Yes.

7 Q Line 27a where it says "other expenses," do you see that,

8 ma'am?

9 A Yes.

10 Q Is there an amount associated with 27a?

11 A \$2,010.

12 Q 27a says "other expenses from line 48." So let's take a

13 look at line 48. If we go down to page 23 of this exhibit,

14 which I believe is just the next page. Down at the bottom,

15 Part V. This is Part V, Other Expenses; do you see that?

16 A Yes.

17 Q What's listed here in this table?

18 A Groceries, 360. Gas, 360. Materials and supplies, 90.

19 And cell phone, 1,200.

20 Q Are these some of the things Mr. Watson asked you about

21 that you were mentioning earlier?

22 A Yes, uh-huh.

23 Q So you would provide him with some of the numbers --

24 A Yes.

25 Q -- for some of your expenses?

1 **A** Uh-huh.

2 **Q** What's the total expense there listed down at line --

3 **A** 2,010.

4 **Q** Are these amounts listed here, are those amounts of
5 expenses that you incurred taking care of your grandchildren,
6 or are these just your total bills for the year for any of
7 that?

8 **A** I think it might have been a percentage of what I did to
9 take care of my -- take care of the kids, but I provided them
10 because he asked me to, you know.

11 **Q** Okay, thank you.

12 **A** I don't think -- it wasn't \$2,000 worth, but I probably
13 did provide him some.

14 **Q** Did he ever speak with you about something called
15 depreciation?

16 **A** No.

17 MR. MORGAN: If we could please go to Exhibit No. 29,
18 page 12, and enlarge the top portion, please. Thank you.

19 **Q** Do you see at the top where it says Form 5642 [sic],
20 Depreciation and Amortization for 2015?

21 **A** Uh-huh.

22 **Q** Do you see that?

23 **A** Uh-huh.

24 **Q** Underneath names, what are the names listed there?

25 **A** Robert W. and Darlene D. Hall.

1 Q The next box says, "Business or activity to which this
2 form relates." What is the business or activity?

3 A "Child day care services."

4 Q Again, did you have a child day care service?

5 A No, just my grandchildren.

6 Q Part I, line No. 6.

7 MR. MORGAN: Could we scroll down to see line 6 a
8 little better, please. Thank you.

9 Q It says 6a, "description of property." What is the
10 description of the property there?

11 A Lexus.

12 Q In column (b) do you see where it says, "Cost, business
13 use only"? What's listed there?

14 A 38,000.

15 Q And in (c) the "elected cost"?

16 A 10,000.

17 Q Is this the vehicle that you would use to pick up your
18 grandchildren?

19 A Yes.

20 Q Did you use any other car in 2015 for your own purposes?

21 A No, basically just my car.

22 Q Did you use this vehicle for anything other than picking
23 up your children -- grandchildren?

24 A It was the only car I had, yeah. I used it for whatever
25 else I needed to do, uh-huh.

1 Q About what percentage of your use of the car do you think
2 you used in order to pick up your grandchildren and take them
3 where they needed to go?

4 A Compared to all my daily tasks, I guess it's maybe 5
5 percent or something, I don't know.

6 Q Okay. Do you recall having a discussion with Mr. Watson
7 about this, about the Lexus?

8 A Yeah, he asked me certain questions about the car. Like I
9 said, anything that I used for the children, you know.

10 MR. MORGAN: I'd like now to turn to Exhibit 30.
11 Please enlarge that. Thank you.

12 Q Do you see here at the top, this is Form 1040 for U.S.
13 Individual Income Tax Return for the year 2016; do you see
14 that?

15 A Uh-huh, yes.

16 Q And the name underneath there?

17 A Robert W. and Darlene D. Hall.

18 Q If we could scroll down, please, to line 12. In the
19 Income section here, do you see line 12, "Business income or
20 loss"? Do you see that?

21 A Yes.

22 Q And it says, "Attach Schedule C." Do you see that?

23 A Yes.

24 Q And the amount associated with line 12 that's in box 12?

25 A Negative \$22,921.

1 Q Did you have a business in 2016?

2 A No.

3 Q Did you tell Mr. Watson that you had a business in 2016?

4 A No, I did not.

5 Q Did you have business losses of \$22,921?

6 A No.

7 Q Did you tell Mr. Watson that you had losses of that for --

8 A No, I did not.

9 Q -- for some sort of business that year? Did Mr. Watson
10 tell you that he had put this number here on the 1040 form?

11 A No.

12 Q Did he go over this 1040, the numbers on the 1040 with you
13 at all?

14 A No.

15 MR. MORGAN: This same Exhibit 30, please go to page
16 20, please, to see the Schedule C. At the top, if we could
17 enlarge that. Thank you.

18 Q Do you see here this is Schedule C Form 1040 for Profit or
19 Loss from Business for the year 2016. Do you see that at the
20 top?

21 A Uh-huh, yes.

22 Q Here I'd like again to look, is there anything written
23 under "name of proprietor"?

24 A Darlene D. Hall.

25 Q And in line A, the "principal business or profession,

1 including product or service," what's listed there?

2 **A** Child day care services.

3 **Q** And line C where it says, "Business name. If no business
4 name, leave blank," is there anything written there?

5 **A** Darlene Hall.

6 MR. MORGAN: If we could remove the enlargement for a
7 second.

8 **Q** Did you yourself have any business expenses at all that
9 year?

10 **A** No.

11 **Q** I'm going to take a look at several of them in Expenses
12 section, Part II, that are listed here on this form.
13 Specifically again, line 20 where it says "rent or lease" and
14 then 20b where it says "other business property," can you
15 please tell the jury what number is in 20b.

16 **A** \$4,500.

17 **Q** Did you rent or lease anything at all that year --

18 **A** No.

19 **Q** -- for any purpose?

20 **A** No.

21 **Q** Did you tell Mr. Watson that you had rented or leased
22 something for \$4,500?

23 **A** No.

24 **Q** Or did you have any business property that was rented or
25 leased or anything?

1 **A** No.

2 **Q** Do you recall Mr. Watson speaking with you about anything
3 having to do with renting business property or leasing business
4 property?

5 **A** No.

6 **Q** The line right underneath of that, line 21, do you see
7 that there? What does that say?

8 **A** "Repairs and maintenance, \$950."

9 **Q** Did you have \$950 worth of any kinds of repairs or
10 maintenance related to some business --

11 **A** No, no.

12 **Q** -- or business expense?

13 **A** No.

14 **Q** Did you have \$950 of repairs and maintenance related to
15 taking care of your grandchildren?

16 **A** No.

17 **Q** Do you recall speaking with Mr. Watson about this
18 figure --

19 **A** No.

20 **Q** -- or anything having to do with repairs or maintenance
21 for a business or looking after the grandchildren?

22 **A** No.

23 **Q** Did you know that he had put these numbers on the form?

24 **A** No.

25 MR. MORGAN: If we could please turn to Exhibit 31.

1 At the top, please, if we can enlarge.

2 **Q** Again, do you see at the top here this is a Form 1040,
3 U.S. Individual Income Tax Return for the year 2017? Do you
4 see this form?

5 **A** Yes.

6 **Q** And the name listed there in the box underneath of it?

7 **A** Robert W. and Darlene D. Hall.

8 MR. MORGAN: If we can scroll down to line 12,
9 please. Actually, if we could stop there for just one
10 second -- no, thank you. Line 12 is great.

11 **Q** Line 12 says, "Business income or loss, attach
12 Schedule C." Is there a number there for business income or
13 loss in box 12?

14 **A** Negative \$26,487.

15 **Q** Did you incur a business loss in 2017 of \$26,487?

16 **A** No.

17 **Q** Did you have a business at all that year?

18 **A** No.

19 **Q** Did you tell Mr. Watson that you had?

20 **A** No.

21 MR. MORGAN: Please turn to page 34 of this
22 Exhibit 31. I'm sorry, if we could scroll up to the
23 Schedule C, please. Thank you. This is page 26 of Exhibit 31.

24 **Q** Schedule C, Form 1040, the Profit or Loss from Business
25 for tax year 2017. Do you see this form?

1 **A** Yes.

2 **Q** Is there a name of proprietor listed there?

3 **A** Darlene D. Hall.

4 **Q** The principal business or profession?

5 **A** Child day care services.

6 **Q** And business name?

7 **A** Darlene Hall.

8 **Q** Did you speak with Mr. Watson about any business expenses
9 at all related to child day care -- day care services?

10 **A** No. None other than when he asked me about and I would
11 tell him, like, groceries or whatever and picking them up back
12 and forth, you know. That's the only thing that I had.

13 **Q** To look after your grandchildren?

14 **A** Uh-huh.

15 **Q** But did he tell you that he was putting this on a
16 Schedule C for Profit or Loss from Business?

17 **A** No.

18 **Q** And that he was -- did he tell you that he put on line A
19 that the principal business or profession was child day care
20 services?

21 **A** No.

22 MR. MORGAN: If we could scroll down to line 15,
23 please. I apologize, if we could go back up to Part I here.
24 Thank you.

25 **Q** Do you see Part I where it says Income?

1 **A** Yes.

2 **Q** And line 7 where it says "gross income," is there an
3 amount of income listed there in box 7?

4 **A** 800.

5 **Q** Please scroll down to Part II, Expenses, "Enter expenses
6 for business use of your home only on line 30." So looking at
7 line 15, did you have any insurance apart from your homeowner's
8 insurance?

9 **A** No.

10 **Q** And auto insurance?

11 **A** No.

12 **Q** Did you have any insurance related to taking care of the
13 children?

14 **A** No.

15 **Q** Do you recall telling Mr. Watson that you had \$2,300 worth
16 of insurance related to this activity?

17 **A** No.

18 **Q** Line 27, "other expenses," is there an amount there in
19 27a? Do you see that?

20 **A** Yes.

21 **Q** What is the amount in box 27a?

22 **A** 6,800.

23 **Q** If we could scroll down, please, to the next page. And
24 the box down at the bottom, Part V, where it says Other
25 Expenses, do you see those?

1 **A** Yes.

2 **Q** Are these some of the expenses that you would discuss with
3 Mr. Watson regarding taking care of your grandchildren?

4 **A** He would ask me groceries, gas and cell phone, and he was
5 doing percentages, you know. I don't -- but I never saw these
6 amounts.

7 **Q** Okay. Did you ask Mr. Watson to put these numbers on this
8 form and submit it to the IRS?

9 **A** No, because I didn't look at the form. I didn't see the
10 form.

11 **Q** And he didn't go over it with you?

12 **A** No.

13 MR. MORGAN: Thank you. You can take this down.

14 THE COURT: Mr. Morgan, I think it might be time for
15 the mid-morning break. Is that okay with you?

16 MR. MORGAN: Your Honor, I have maybe about two
17 minutes' worth of questions, and then I'll be done with my
18 direct.

19 THE COURT: Okay, we can do that.

20 MR. MORGAN: Thank you.

21 BY MR. MORGAN:

22 **Q** Did you think your taxes were done correctly?

23 **A** I thought they were because I thought he was doing
24 whatever -- being that I didn't look at anything, I thought he
25 was doing -- it was his expertise. I didn't know anything at

1 all about taxes so I just thought that I trusted him.

2 **Q** So what happened at the end of each meeting? Did you sign
3 the documents that he showed you?

4 **A** Excuse me?

5 **Q** Did you sign the documents at the bottom --

6 **A** Yes, uh-huh.

7 **Q** Were you aware of the sentence above your signature about
8 perjury?

9 **A** I didn't look at -- I just signed the documents. He
10 brought them to me and that was fine print. And I know you
11 should read the fine print but I didn't.

12 **Q** Okay.

13 **A** And besides that, I didn't know -- I just trusted him and
14 thought it was right anyway.

15 **Q** When is the last time you spoke with him?

16 **A** The last tax that he did for me.

17 **Q** And did he file your Maryland taxes as well as your
18 federal taxes?

19 **A** Yes.

20 **Q** Were you ever audited by the IRS?

21 **A** Yes.

22 **Q** Could you just briefly tell us what happened.

23 **A** I was audited. I was really quite surprised about it.
24 For federal, I had to pay over \$10,000 and for state, something
25 around six.

1 **Q** Did you pay that back?

2 **A** Yes.

3 MR. MORGAN: Thank you. No further questions, Your
4 Honor.

5 THE COURT: Okay. We'll pick up with
6 cross-examination after the break so, ladies and gentlemen,
7 we'll take our mid-morning break. Given that it's a short day,
8 we're going to try to keep it pretty tight. We'll see you back
9 here at 10:45 ready to go, and we'll take it till no later than
10 noon.

11 Again, don't discuss the case among yourselves, or
12 don't do any outside research. Just enjoy the break. Thank
13 you.

14 THE CLERK: All rise for the jury.

15 (Jury left the courtroom at 10:34 a.m.)

16 THE COURT: We'll see you at 10:45.

17 (Recess taken at 10:34 a.m., until 10:45 a.m.)

18 THE COURT: Thank you, everyone, for coming back
19 promptly. I guess we will call the jury in.

20 MR. RUTER: Your Honor?

21 THE COURT: Yes.

22 MR. RUTER: Before the jury is called, I want to
23 alert the Court that what I intend on doing is showing the
24 witness, without the jury seeing, some documents. If she can
25 identify them, then I'll move for them to be admitted. I want

1 to make sure that you understand there will be some documents I
2 put on the ELMO that are not for everyone's --

3 THE COURT: So we will keep the jury's screen off
4 initially.

5 MR. RUTER: Yes. I think, Judge, the witness binder
6 is so big and heavy, it may be difficult for the witness to
7 find --

8 THE COURT: That's fine. Just say out loud who you
9 want to see the screen.

10 MR. RUTER: Yes, Judge.

11 THE COURT: Thank you.

12 (Jury entered the courtroom at 10:49 a.m.)

13 THE COURT: Thank you, everyone. Please be seated.
14 Welcome back. We're about to begin the cross-examination of
15 Ms. Hall. Mr. Ruter, go ahead when you're ready.

16 MR. RUTER: Thank you, Your Honor.

17 **CROSS-EXAMINATION**

18 **BY MR. RUTER:**

19 **Q** Good morning, Ms. Hall.

20 **A** Good morning.

21 **Q** My name is Gerry Ruter, and I represent Mr. Watson. Have
22 you and I ever met or spoken?

23 **A** Excuse me?

24 **Q** Have you and I ever met or spoken?

25 **A** No.

1 Q You have met with the Government, have you not, in order
2 to prepare for today's testimony?

3 A Yes.

4 Q When was the last time you met with the Government?

5 A Last Tuesday, I believe.

6 Q And that was with the prosecutors here?

7 A Yes.

8 Q And maybe one of the IRS agents; is that right?

9 A Yes.

10 Q Okay. Nothing wrong with that, nothing inappropriate.
11 I'm just asking, about last Tuesday; is that right?

12 A Uh-huh.

13 Q Ma'am, you told us where you had worked before you
14 retired. You also said that your husband has retired, but what
15 did he retire from?

16 A From FEMA. He worked at FEMA.

17 Q What does FEMA stand for?

18 A Federal Emergency Management Agency.

19 Q Do you know what he did there?

20 A He was a financial analyst.

21 Q Okay. Would it be fair to say he was a man who dealt with
22 numbers?

23 A Not like that. He was more on the management side.

24 Q Okay. So it's kind of -- let's say this. Maybe it's a
25 bit too complex to have a conversation this morning about what

1 he did?

2 **A** Well, I know his title was financial analyst. I'm not
3 sure what he did -- he basically trained people on a program
4 that they had there. And he went around different parts of the
5 country and trained them on the software. That's what he
6 did.

7 **Q** Understood. Ma'am, how long did you work for HUD?

8 **A** I think I worked for HUD about 16, 17 years, I think. I'm
9 not sure.

10 **Q** Okay.

11 **A** Because I worked for three agencies during my whole
12 government tenure.

13 **Q** So prior to HUD, you worked for a different -- was it a
14 federal agency?

15 **A** Yeah.

16 **Q** What agency would that have been?

17 **A** I worked for Office of Management and Budget. I did work
18 on the budget side, but I was mostly secretary at that time.

19 **Q** How many years did you do that?

20 **A** Oh, I don't know. Something like 13 years, I believe.

21 **Q** And then you worked for a different federal agency before
22 that?

23 **A** Federal Home Loan Bank Board.

24 **Q** How many years did you work there?

25 **A** I think seven.

1 Q How many?

2 A Seven, I think.

3 Q I am not good at adding, but that's about 37 to 40 years.

4 A Yeah, I worked -- I believe it was 38 years in the federal
5 government.

6 Q Okay. Ma'am, during that entire time frame then, I think
7 it's your testimony that you never prepared your taxes on any
8 of those about 40 years?

9 A No.

10 Q And during those 40 years, did you then have a
11 professional tax preparer prepare those taxes, or did some
12 family member or some acquaintance help you?

13 A It was different professional tax people during the
14 course, down through the years.

15 Q Okay. You told us that you had had Mr. Watson as your tax
16 preparer for several years; is that right?

17 A Uh-huh.

18 Q And that for most of the years, you went to his office; is
19 that also correct?

20 A Yes.

21 Q Do we understand that you met with a person other than him
22 or a receptionist, I guess, out front --

23 A I just met with him. I reported to the receptionist.

24 Q Yes. So when you showed up, you would report to a
25 receptionist who then would do what? Was it a he or she --

1 **A** Announced that I'm here.

2 **Q** I'm sorry?

3 **A** Announced that I was here.

4 **Q** Okay. Then you would just go back yourself or would she
5 take you back, or would Mr. Watson come out and get you?

6 **A** Mr. Watson would come out and get me.

7 **Q** If I understand it, it was kind of a small office?

8 **A** Yes.

9 **Q** And do you recall what was contained inside the office?

10 **A** No, I don't recall.

11 **Q** Would it be fair to say, however, you know there was a
12 chair that you sat upon?

13 **A** Oh, yeah, a chair and a desk. I don't even remember if --
14 I'm sure he had some certificates on the wall, whatever, but I
15 don't recall at the time what they exactly were.

16 **Q** Right. Can you recall about how large the desk would have
17 been that he sat behind?

18 **A** I don't know. I don't know measurements. I'm not good
19 with numbers or measurements or anything. It was just a
20 regular desk. Nothing unusual or, you know. Just a regular
21 medium-size desk.

22 **Q** All right. This is going to be another measurement
23 question. About how many feet apart --

24 **A** Oh, I don't know. I don't know.

25 **Q** All right. You testified on direct, Ms. Hall, that you

1 would see him jotting down something on a piece of paper.

2 **A** Uh-huh.

3 **Q** And when you saw him jotting down something on a piece of
4 paper, can you tell us when he was doing that, would he do it
5 after he had asked you some kind of a question about
6 something?

7 **A** Yes, uh-huh.

8 **Q** So part of the engagement you had with him was him asking
9 you questions and you providing him answers?

10 **A** Uh-huh, yes.

11 **Q** Can you recall today what kinds of questions he asked
12 you?

13 **A** Well, of course he asked me about a business. I told him
14 I did not have a business; I do take care of my two
15 grandchildren. Then it progressed to, well, what expenses do
16 you incur and that sort of thing. But I don't remember
17 anything specific other than he was asking me about, you know,
18 what expenses.

19 **Q** Okay. Do you know what the definition of a business is?

20 **A** Yeah, I know what a definition of a business is.

21 **Q** And what is it?

22 **A** Well, I mean, I know -- I can't say it in words, but I
23 know when somebody has a business. But I told him I did not
24 have a business. And whatever I provided to Mr. Watson was
25 what he asked for.

1 Q Okay. And you already told us some of the things that he
2 asked for.

3 A Uh-huh.

4 Q And you provided those to him?

5 A Yes, some of the things I did --

6 Q Yes.

7 A Yeah, uh-huh.

8 Q Did there ever come a time when you yourself prepared
9 numbers for him before you got to his office?

10 A Well, I told him that -- when he asked me, I would -- I
11 had a sheet that I would give him of things that, you know, but
12 only upon his request when he asked me. And I tried to provide
13 whatever he asked of me.

14 Q Okay. So, Ms. Hall, does that mean then that you and
15 Mr. Watson would have had perhaps a phone call before you came
16 in with a document, with things listed?

17 A No, no.

18 Q So when would you prepare the document?

19 A It was all -- when he asked me and then each year, I
20 guess -- he asked me grocery, asked me electric bill and my
21 car, those sort of things. That's what I figured he wanted.
22 The first couple of years, I didn't provide him with anything
23 like that.

24 Q Okay. So what you're saying is there came a time when,
25 without talking to Mr. Watson, you prepared documentation that

1 you thought he might want to have?

2 **A** Well, yeah, with my -- he already had like my interest on
3 my home and the normal documents that you give. I do charity
4 work -- I mean charity, my church and things like that that I
5 would give him.

6 **Q** Yes, yes. And you were still receiving some money from
7 your daughter; is that right?

8 **A** Yeah, but that wasn't in the very beginning. That's only
9 when he asked me if I had, you know, mm-hmm.

10 **Q** But then there came a time without him asking you, you
11 prepared a document for him with notations about the fact that
12 you'd received money from your daughter?

13 **A** That's because he originally asked me, and every year,
14 that's what I expected he wanted. That's the only reason.
15 That's the only reason why if I prepared any documents, it's
16 because I knew that's what he would ask me for.

17 **Q** Yes, ma'am, okay. And, therefore, the numbers that you
18 have placed on the piece of paper or piece of papers in
19 subsequent years, those didn't come from him? They came from
20 you?

21 **A** No, not the numbers that I saw on these documents --

22 **Q** Right.

23 **A** -- as far as my loss and all that. It wasn't nothing
24 extraordinary. Whatever I provided to him, they were just
25 normal stuff taking care of my grandkids.

1 Q Yes, understood.

2 A Mm-hmm.

3 Q We understand, I think, from your direct testimony that
4 when you were finished speaking with Mr. Watson and he was
5 working on that computer, he then gave you a finished tax
6 return with various papers attached to it; is that accurate?

7 A Yes.

8 Q Is it also accurate that he would then give you some kind
9 of a packet --

10 A Yeah --

11 Q -- where it may have had sleeves in it, and he put all the
12 paperwork inside that and then gave you the documents; is that
13 correct?

14 A Yes.

15 Q And to your knowledge, ma'am, did that repeat itself year
16 after year as you used his services?

17 A Yes.

18 Q Okay. And you worked for about 40 years, and you had a
19 lot of tax materials that you had from year to year, all those
20 years, right? You filed returns probably all 38 years you
21 worked?

22 A Oh, yes, uh-huh.

23 Q Did you keep any documentation as it relates to all those
24 tax years back in the '60s and '70s and '80s?

25 A No.

1 Q Okay. Did you keep any of the documentation that
2 Mr. Watson had given you in 2015 or 2016 or 2017?

3 A No, because I thought after like three years or something,
4 you could destroy them. That's what I thought, yeah.

5 Q Okay. So when it comes to Mr. Watson's returns that he
6 did for you, to the best of your recollection, you don't have
7 today --

8 A No.

9 Q -- any documents at all --

10 A No.

11 Q -- that dealt with his preparation of those years 25,
12 26 [sic], 2017?

13 A No.

14 Q And you're pretty sure about that?

15 A Yes.

16 Q Okay. As a matter of fact, I think you were asked by the
17 prosecutor -- tell me if I'm wrong -- and/or the agents as they
18 were speaking with you from time to time, they asked you
19 whether or not you had any documents, didn't they?

20 A Yes.

21 Q What did you tell them?

22 A I told them I would go home and look to see what I had,
23 but I didn't have it.

24 Q And you did look?

25 A Yes.

1 Q And you didn't find anything?

2 A No.

3 Q Ma'am, did your husband, Robert, ever attend the meetings
4 with Mr. Watson when the taxes were prepared?

5 A No. My husband is disabled and he's deaf, so most of the
6 time it was me going -- well, all the time. I don't think my
7 husband ever went.

8 Q Okay. I think, Ms. Hall, I've seen some tax returns with
9 both your signature and your husband's signature. Would that
10 be correct?

11 A Yes.

12 Q You always have filed a joint tax return with each
13 other?

14 A Yes, yes.

15 Q And that's true when Mr. Watson prepared those returns in
16 those three years I just mentioned; is that also correct?

17 A Yes, uh-huh.

18 Q Can you explain to the jurors how was it that Mr. Hall got
19 his signature on the return if he wasn't there when Mr. Watson
20 prepared the return?

21 A Well, he authorized me that I could do that.

22 Q Okay. So you actually signed his name?

23 A Yes. My husband -- being that he's deaf, I'm authorized
24 to do a lot of things for my husband, even medical or
25 whatever --

1 Q Yes, ma'am.

2 A -- I'm authorized to do.

3 Q I'm not faulting you, ma'am. I'm just trying to figure
4 out how it happened. Did you -- you signed the return while
5 you were in Mr. Watson's --

6 A Yes, yes.

7 Q -- presence, correct?

8 A Yes.

9 Q Then you signed your husband's signature as well; is that
10 correct?

11 A Yes, uh-huh.

12 Q You told us that you never paid Mr. Watson by check or by
13 cash?

14 A No.

15 Q Rather the money was taken out of the --

16 A I guess -- I don't know how he was paid. I never
17 physically paid him.

18 Q Did he, to your knowledge, did he ever explain to you how
19 he was being paid?

20 A No.

21 Q Okay. Did you know how much he was being paid?

22 A No.

23 Q You were shown Exhibit 29, and it was a 1040 form. It
24 indicated that you had experienced a business loss of \$37,929.
25 Do you remember that?

1 **A** Uh-huh.

2 **Q** And you told these folks that you did not have any kind of
3 a loss for two reasons --

4 **A** Right.

5 **Q** Number one, you testified you didn't have a business; is
6 that right?

7 **A** Yes.

8 **Q** And number two, you said you didn't lose that much
9 money?

10 **A** Right.

11 **Q** Is that right?

12 **A** Right.

13 **Q** Is it fair to say that you did not spend in real dollars
14 \$37,929 while you were taking care of your children --

15 **A** That's fair to say, yes.

16 **Q** You didn't spend actual money?

17 **A** That's fair to say, uh-huh.

18 MR. RUTER: Your Honor, with your permission, I'd
19 like to show the witness, for identification only, a document.

20 THE COURT: Okay. Just for the witness then.

21 BY MR. RUTER:

22 **Q** Ms. Hall, I placed before you what appears to be part of a
23 tax return. Can you see it all, ma'am?

24 **A** Uh-huh.

25 **Q** Can you see it?

1 **A** Yes.

2 **Q** Can you see the bottom of the document?

3 **A** Yes.

4 **Q** Can you identify the signature?

5 **A** It's my signature and Mr. Watson's signature.

6 MR. RUTER: This document was for identification,
7 Your Honor, Exhibit 287. I would now move for its admission.

8 MR. MORGAN: No objection, Your Honor.

9 THE COURT: Exhibit 287 is in evidence.

10 BY MR. RUTER:

11 **Q** Ms. Hall, right above your signature, you see in the
12 smaller type where it says -- starting with this right here,
13 where it says "under penalties of perjury," do you see that?

14 **A** Uh-huh.

15 **Q** I'm just going to read part and then ask you a question or
16 a couple of questions.

17 When you signed this document, did you understand that you
18 were signing it under the penalties of perjury?

19 **A** No, I did not because it was small print, and I actually
20 didn't even read it.

21 **Q** Okay. Did you understand that when you signed this
22 document, that you were declaring that you have examined this
23 return and the accompanying schedules and statements? Did you
24 know that?

25 **A** I did not realize it meant I had examined it. All I know

1 is the document was prepared like any other preparer and I
2 signed it because my tax preparer, who's an expert who gets
3 paid to do this, I trusted him in doing it, and I just thought
4 it was right.

5 **Q** Yes, ma'am.

6 **A** I didn't know about all those other figures he was putting
7 on it to give me, you know, the refund or whatever I had.

8 **Q** Okay. Ms. Hall, would you agree with me that had you
9 viewed the accompanying forms, then you may have known what was
10 actually on the return? Would that be a fair statement?

11 **A** If I had reviewed it but I -- I have never reviewed. My
12 taxpayer do something and say it's correct, then I sign it. I
13 didn't review all those documents, Schedule Cs. I didn't know
14 all that stuff was there and all those numbers were there.

15 **Q** Yes, ma'am. Then it says, ma'am, "And to the best of my
16 knowledge and belief, they are true, correct and
17 complete." Did you know you were swearing to that?

18 **A** Well, no. I knew that -- he prepared my tax return, I
19 knew I had to sign it. I did not read any of that fine print.

20 **Q** Yes, ma'am.

21 I'd like to show you another document for identification
22 only, if I could.

23 **A** Mm-hmm.

24 **Q** I think this is as small as it gets.

25 I'm asking you whether or not you can identify what has

1 been marked for identification only as Exhibit 288. Can you
2 identify this document, ma'am?

3 **A** Yes, that's the document that I prepared of my tithes and
4 offering and my medicals and my charity.

5 MR. RUTER: Your Honor, I'd offer this as a defense
6 exhibit, move it into evidence.

7 MR. MORGAN: No objection, Your Honor.

8 THE COURT: Exhibit 288 is in evidence.

9 BY MR. RUTER:

10 **Q** So do we understand then, Ms. Hall, this is a document
11 that you prepared for your 2015 taxes?

12 **A** Okay, yeah.

13 **Q** Am I right?

14 **A** Yes.

15 **Q** So you were at home and you got on your typewriter, and
16 you prepared this document?

17 **A** Yes.

18 **Q** So you have different items for church -- and I recognize
19 and I apologize it's not the best copy, but it's the best we
20 can do. We can all see this line kind of going right down
21 here, and you can see there are things missing, I apologize.

22 **A** Mm-hmm.

23 **Q** But there's church, there's medical, I think the next
24 segment is -- is this more charities?

25 **A** Yeah. Faith Christian School. Ralph Bunche Community

1 Center which I'm very active in currently.

2 **Q** Can you tell as I'm pointing with this pen, Ms. Hall, what
3 this actually says?

4 **A** I don't know what it says. I write down -- Ralph Bunche
5 Community Center is where I grew up, and I'm about 30-some
6 miles away but I still go down. I was going down very
7 frequently every week to do what I had to do with the
8 community.

9 **Q** Okay. Did you make this particular page as a result of
10 conversations you may have had with Mr. Watson prior to you
11 actually doing this?

12 **A** Yes, yes -- well, I had to let him know about my charity
13 so that's the only way I knew how to put a page in to let him
14 know what expenses I incurred or what charity amount that I
15 gave to all these. So yeah, I did, yeah.

16 **Q** Understood. What I want to make sure that I understand
17 though, hopefully for the jury's benefit, is that you did this,
18 though, as a result of prior conversations you had had with
19 Mr. Watson. Is that true or not true?

20 **A** Well, only maybe at the bottom where I put down the miles
21 and everything back and forth from my church or from Ralph
22 Bunche. But my other stuff, like my tithes and offerings, I
23 knew I could do that in my charity.

24 **Q** Okay. So do I understand then that what you're saying is
25 that prior to speaking with Mr. Watson, you did not realize

1 that, at least according to him, you were entitled to use
2 mileage that you had driven to and from charitable type
3 events?

4 **A** Well, I think with this one, he had mentioned it, that I
5 could do that.

6 **Q** Okay. Is it your recollection that he talked to you about
7 that prior as an example when you were preparing your 2014 tax
8 returns or other returns?

9 **A** We had talked prior because otherwise I would have never
10 put down the mileage --

11 **Q** Yes, ma'am.

12 **A** -- because I've been doing that for years, going back and
13 forth. And I never before put it down for anybody else. But I
14 always put down my tithes and offering, my medical expense and
15 charity.

16 **Q** Thank you. For identification only, I'd like to show you
17 this paper which has been marked for identification as Exhibit
18 289 and ask you, ma'am, whether or not you can identify this
19 document.

20 **A** No. That's not my handwriting.

21 **Q** Okay. You feel confident about that?

22 **A** Right, that's not my handwriting.

23 **Q** You've never seen it before?

24 **A** No.

25 **Q** Okay. Mr. Watson prepared your...

1 MR. RUTER: Excuse me, Your Honor. Mr. Mahoney, can
2 I see Exhibit 29 and specifically the Schedule C, Part V.
3 Thank you very much, appreciate it again.

4 Q So you were shown this earlier, Ms. Hall, and this is part
5 of your Schedule C. Do you recall that?

6 A Yes, from earlier when they showed it to me.

7 Q Okay. And can you tell me where each of those numbers
8 came from to your recollection?

9 A I don't know. All I know, he asked -- I may have gave him
10 some numbers. Now whether these are the correct numbers or
11 not, I don't know, but I did give him some numbers because he
12 asked for groceries, gas and cell phone. I don't know about
13 materials and supplies. I remember specifically he asked about
14 groceries, gas and my cell phone.

15 Q Right. Do you recall what your cell phone bill was? It's
16 a long time ago.

17 A Yeah, it probably was 100 and some dollars. It was just
18 at that time my husband and I on the plan.

19 Q Okay. So would it be fair to say then that, number one,
20 these numbers and entries -- groceries, gas and so on -- they
21 were actually placed onto the return by Mr. Watson here?

22 A Yes.

23 Q And is it also fair to say that the numbers that are
24 associated with those entries came from you?

25 A Probably some of the numbers. I don't know these are the

1 specific numbers. But any number that came from me is numbers
2 that were asked of me by Mr. Watson.

3 **Q** Yes.

4 **A** I mean, he probably didn't know the numbers. I would give
5 him numbers if he asked me, but I don't know if these
6 specifically were the numbers.

7 **Q** Understood.

8 MR. RUTER: Mr. Mahoney, could we see Schedule C,
9 line 13, please.

10 **Q** You see line 13 where it says depreciation?

11 **A** Uh-huh.

12 **Q** And the amount of that depreciation is \$26,800?

13 **A** Uh-huh.

14 **Q** Do you see that?

15 **A** Uh-huh.

16 **Q** Could we then go to Form 4562, line 6. Did you own a
17 Lexus back then?

18 **A** Yes.

19 **Q** Do you know what you paid for it?

20 **A** I think it was 40 something.

21 **Q** Okay. Do you agree with me the word "Lexus" and those
22 dollar amounts were placed on the return by Mr. Watson here?

23 **A** Well, I'm seeing it now. But like I said, when he gave me
24 the package, I didn't look through all that to see what figures
25 he was putting down for anything.

1 Q No, and I'm not faulting you, Ms. Hall. We understand
2 that. But do you know where he received the knowledge to put
3 down the word Lexus on this return?

4 A He asked me, so I gave it to him.

5 Q And how about the \$38,000?

6 A I don't know. I think he put down that figure. I don't
7 know what -- that's what it said my Lexus cost or whatever?

8 Q It does say cost and it says business use only.

9 A He put down the figures, you know.

10 Q Okay. But your recollection is that the cost of that car
11 to you was about \$40,000?

12 A Yeah, 42, something like that.

13 Q That's your recollection, okay.

14 And you paid the car insurance on that car, didn't you?

15 A Yes.

16 Q And how much was that?

17 A I don't know. For my car and my husband's car, I think we
18 paid like three something a month or something like that,
19 uh-huh.

20 Q Okay. So together you're talking well over \$3,000 a year
21 in car insurance?

22 A Yeah.

23 Q Is that right?

24 A Uh-huh.

25 Q You may not recall this, but if you do, what kind of car

1 did your husband have in 2015?

2 **A** I think he had a -- I can't think of the name of it. It
3 was a truck. He now has a Jeep. I can't think of the name of
4 the truck that he had, I'm sorry.

5 **Q** Okay. Mr. Watson prepared your 2016 tax return; is that
6 right?

7 **A** Uh-huh.

8 MR. RUTER: Again, for identification only, Your
9 Honor.

10 THE COURT: Okay. What number?

11 MR. RUTER: This is Exhibit 290. I'm not too sure
12 why I'm not lit up here.

13 BY MR. RUTER:

14 **Q** Do you see this document that's been marked for
15 identification as Exhibit 290, ma'am?

16 **A** Uh-huh.

17 **Q** And do you see the name up here?

18 **A** Yes.

19 **Q** And you see what it says here?

20 **A** Yes.

21 **Q** And do you see the signatures below?

22 **A** Yes.

23 **Q** And you recognize this document is yours?

24 **A** Yes.

25 MR. RUTER: I would move for its admission, Your

1 Honor.

2 MR. MORGAN: No objection.

3 THE COURT: Exhibit 290 is in evidence.

4 BY MR. RUTER:

5 Q I'm not going to repeat my questions, Ms. Hall, but the
6 same -- for lack of a better word, we'll call it a warning, I
7 guess -- is contained above your signature; is that correct?

8 A Yes.

9 Q Do you recall giving Mr. Watson a tax bill, a real estate
10 tax bill, giving him one?

11 A Real estate tax bill?

12 Q Yeah, to look at?

13 A I gave him how much money we paid in county tax, that sort
14 of thing, yeah.

15 Q Okay.

16 For identification only, Your Honor.

17 Let me show you what's been marked for identification as
18 Exhibit 291 and ask you if you can identify this document?

19 A Yes.

20 MR. RUTER: I move for its admission.

21 MR. MORGAN: No objection.

22 THE COURT: Exhibit 291 is in evidence.

23 BY MR. RUTER:

24 Q Was this a document that you gave to Mr. Watson?

25 A Yes.

1 Q Did he ask for it?

2 A I don't think he specifically asked for it, but I think
3 that's one of the documents that I know supposed to go into
4 my -- to go, you know, to the taxpayer every year.

5 Q That's just by experience --

6 A Uh-huh.

7 Q -- you thought he might need it. Whether he did or not
8 you're not too sure, are you?

9 A Well, I guess he needed -- he needed to know how much
10 county tax that I paid, uh-huh.

11 Q Okay. Do you know, Ms. Hall, where that would be
12 important on a 1040 form? Do you know about real estate taxes,
13 where it would actually appear on a tax return if it was
14 allowed?

15 A No, I don't.

16 Q I don't think I do either.

17 MR. RUTER: For identification purposes only, Your
18 Honor.

19 Q Let me show you what's been marked for identification as
20 Exhibit 292 and ask you, ma'am, whether you can identify this
21 document?

22 A Yes.

23 Q Is that a document that you helped prepare the tax return
24 for --

25 A Yes.

1 Q -- tax year 2016?

2 A Mm-hmm.

3 MR. RUTER: I move for its admission.

4 MR. MORGAN: No objection.

5 THE COURT: Exhibit 292 is in evidence.

6 BY MR. RUTER:

7 Q Ms. Hall, this is almost identical to what you had given
8 Mr. Watson in 2015; would that be a fair statement?

9 A Uh-huh.

10 Q I mean the numbers are different, right?

11 A Uh-huh.

12 Q Once again, there's the issue of charitable contributions
13 and there's medicals and child care. The child care actually
14 said received in payment \$1,280. Is that all correct?

15 A Uh-huh, uh-huh.

16 Q You're the one that prepared this document?

17 A Yes.

18 Q And you did that so you could give it to Mr. Watson?

19 A Uh-huh.

20 Q And underneath that, we all see that there's this
21 designation output for children, and there are various kinds of
22 expenses, but I don't see any numbers attached to it. Am I
23 right?

24 A Right.

25 Q Can you tell us, you're the one who prepared this paper?

1 **A** I didn't put any numbers on it. I only put on it because
2 I knew he was going to ask me about these things. I didn't
3 know what kind of numbers to put on it. I didn't know --
4 that's why you don't have any numbers on it. Because I didn't
5 know whether he wanted to use percentages. I just didn't put
6 any numbers on it because I didn't know. I didn't know.

7 **Q** Okay. For identification only, marked as Exhibit 293, I
8 ask you whether you can identify this, ma'am?

9 **A** Yes.

10 **Q** Was it also prepared for Mr. Watson?

11 **A** Yes.

12 MR. RUTER: I move for its admission.

13 MR. MORGAN: No objection.

14 THE COURT: What was the number again?

15 MR. RUTER: This would be 293, Your Honor.

16 THE COURT: Exhibit 293 is in evidence.

17 BY MR. RUTER:

18 **Q** And again, Ms. Hall, this is part of the same document
19 that we just showed the jurors, and this, again, just shows
20 some of your volunteer work that you gave to Mr. Watson; is
21 that right?

22 **A** Uh-huh.

23 **Q** And you even noted down here some items for church and
24 community center, paper, bulletins and ink as an example,
25 correct?

1 **A** Uh-huh.

2 **Q** Did you provide these items, ma'am?

3 **A** Yes.

4 **Q** After having spoken to Mr. Watson --

5 **A** Yes.

6 **Q** -- about the fact they might be tax deductible?

7 **A** Yes.

8 **Q** Would we also understand that maybe prior to you speaking
9 to Mr. Watson, you wouldn't have known even if these things
10 were tax deductible; is that fair?

11 **A** That's right, uh-huh.

12 MR. RUTER: If we could have Exhibit 31, Mr. Mahoney,
13 once again perhaps looking at line 1. This is a Schedule C. I
14 really thank you, Mr. Mahoney, for doing this.

15 **Q** Line 1, do you see where it says gross receipts, Ms. Hall?

16 **A** Uh-huh.

17 **Q** And it says \$800?

18 **A** Uh-huh.

19 **Q** Where did that number come from?

20 **A** I have no idea.

21 MR. RUTER: The jury can't see what's on the screen
22 I'm told. Can you-all see it?

23 (Jurors nod affirmatively.)

24 BY MR. RUTER:

25 **Q** If we could back away, this is the 2017 tax return and the

1 Schedule C specifically, and you don't know where the \$800 came
2 from. Is that what you're saying?

3 **A** No.

4 **Q** Okay. On line 15, Ms. Hall -- we're still looking at the
5 same exhibit -- there is notation of insurance and it says
6 \$2,300. Do you see that?

7 **A** Yes.

8 **Q** Do you know where that figure came from?

9 **A** No.

10 **Q** Did you and Mr. Watson have any discussions about it, that
11 you can recall?

12 **A** No. I don't recall any discussion about that figure.

13 MR. RUTER: Thank you, Mr. Mahoney, very much.

14 For identification only, Your Honor.

15 **Q** For identification only marked as 296, can you identify
16 this document, Ms. Hall?

17 **A** Yes.

18 MR. RUTER: I move for its admission.

19 MR. MORGAN: No objection.

20 THE COURT: Exhibit 296 is in evidence.

21 BY MR. RUTER:

22 **Q** Would it be fair to say again, Ms. Hall, that you did not
23 read above -- where it says "sign here," you did not read these
24 two lines that I've already read once and I will not read
25 again?

1 **A** No, I did not.

2 **Q** Thank you, ma'am.

3 For identification only, showing you what's been marked as
4 Exhibit 298. I'm asking you whether or not you can identify
5 this document?

6 **A** Yes, I can identify that document.

7 **Q** Did you prepare it for the tax season to give to
8 Mr. Watson?

9 **A** Yes.

10 MR. RUTER: I move for its admission.

11 MR. MORGAN: No objection.

12 THE COURT: Exhibit 298 is in evidence.

13 BY MR. RUTER:

14 **Q** So you see at the top, there's offerings for the church
15 and there's medicals?

16 **A** Uh-huh.

17 **Q** Underneath that it says child care. And how much money is
18 that?

19 **A** Well, I put whatever I spent in groceries and he was
20 supposed to take a percent of whatever figure that was down
21 there. These are figures in, like I said, groceries, electric,
22 water, heat, always asked about --

23 **Q** I appreciate that but let's go a little higher first. I
24 was referring to where it says "received in payment for child
25 care" and says \$800?

1 **A** I told you my daughter paid me. It wasn't every time but
2 she paid me like \$100 a month in cash for child care.

3 **Q** Yes, ma'am, I understand. But remember just a minute
4 ago --

5 **A** Yeah, I didn't know what that \$800 was on that particular
6 form.

7 **Q** Okay.

8 **A** Okay.

9 **Q** So you didn't understand we were looking at a
10 Schedule C --

11 **A** No.

12 **Q** -- and it said gross receipts --

13 **A** No.

14 **Q** -- and it said \$800, and above that it had your name --

15 **A** Uh-huh.

16 **Q** -- and it said child care services?

17 **A** No, I didn't understand what that was on that particular
18 form.

19 **Q** Yes, ma'am, okay. But now would it be fair to say you
20 gave this number to Mr. Watson?

21 **A** Yes.

22 **Q** All right. Then we get down, ma'am, to the next section
23 which deals with groceries and automotive gas?

24 **A** Uh-huh.

25 **Q** And you wrote output, and then in parens, you said

1 percentage of these numbers for child care. Is that --

2 **A** Yes.

3 **Q** -- a proper thing?

4 **A** Uh-huh.

5 **Q** Okay. Again, there's no number next to that but we'll get
6 to that in a moment.

7 We come to electric. We know evidently you have solar,
8 your provider is Pepco, \$150 a month. You have a water bill, a
9 natural gas bill, cell phones and mortgage, right?

10 **A** Uh-huh.

11 **Q** Underneath that we have car insurance of \$4,600 a year.
12 It says for a Lexus and a Jeep, right?

13 **A** Yes.

14 **Q** So remember a minute ago I showed you a Schedule C which
15 had the name "insurance" written on it, and it had the amount
16 of \$2,300. Remember that?

17 **A** But I didn't know that meant for car insurance. I didn't
18 know what that insurance -- like I said, I don't understand
19 these documents. He didn't -- when he gave me the package, he
20 didn't explain this is what this is for or whatever.

21 **Q** Yeah. Mr. Hall --

22 **A** But the figures you see is what he actually asked me
23 for --

24 **Q** I understand that. I'm not faulting you in the least. I
25 just want to make sure -- do you agree with me that if you took

1 \$4,600 and you divide it by two, you get \$2,300 which is what
2 appears on your Schedule C under the word "insurance"?

3 **A** Like I said, I didn't understand any of it. I only --

4 **Q** Understood.

5 **A** I only gave what he asked me for.

6 **Q** Understood. Then it goes on, charities and the like.

7 Finally just to complete this document, for identification
8 only, marked as 297, can you identify this document?

9 **A** Okay, yes.

10 **Q** That's also in preparation of your tax return?

11 **A** Uh-huh.

12 MR. RUTER: I move for its admission.

13 MR. MORGAN: No objection.

14 THE COURT: Hold on one second. This is 297?

15 MR. RUTER: It is, Your Honor.

16 THE COURT: Exhibit 297 is in evidence.

17 MR. RUTER: Thank you.

18 THE COURT: Ma'am, if you could just, when you're
19 asked a question, if you could just say yes or no when it's
20 asked --

21 THE WITNESS: Okay.

22 THE COURT: Thank you.

23 BY MR. RUTER:

24 **Q** Once again, ma'am, this again concerns items of your
25 charity work; is that right?

1 **A** Yes.

2 MR. RUTER: Exhibit 31, can we once again on
3 Schedule C, see Part V of that document.

4 **Q** You see the document -- the designation "groceries" with a
5 dollar sign behind it, ma'am?

6 **A** Uh-huh.

7 **Q** Okay. Would you agree with me that we just looked at the
8 numbers that you provided Mr. Watson as it relates to
9 groceries; it was \$4,565.57 --

10 **A** Yes.

11 **Q** -- and that number here is just about the same number?
12 It's about 40-some cents off, is that right, on groceries?
13 Same number?

14 **A** For the year.

15 **Q** For the year, yes, ma'am.

16 **A** Yes, uh-huh.

17 **Q** It has gas of \$1,034?

18 **A** Uh-huh.

19 **Q** That's the same number you had given him?

20 **A** Uh-huh.

21 **Q** Is that a fair statement? Is that accurate?

22 **A** Yes, uh-huh.

23 **Q** Then it also shows cell phone of \$1,200 and on the
24 documentation -- specifically we're talking about Exhibit
25 298 -- you wrote down cell phone, \$100 a month. Is that true,

1 is that accurate?

2 **A** Yes.

3 MR. RUTER: If I could have one moment, Your Honor.

4 (Defendant conferred with his counsel.)

5 MR. RUTER: No further questions, Judge. Thank
6 you.

7 THE COURT: Thank you. Any redirect?

8 MR. MORGAN: Briefly, Your Honor. Thank you.

9 **REDIRECT EXAMINATION**

10 **BY MR. MORGAN:**

11 **Q** The \$100 a month or so from your daughter, was that a fee
12 you were charging her?

13 **A** No, I wasn't really charging her, but that's what she
14 normally gave me, you know. It wasn't every single month, you
15 know.

16 **Q** Was that to help cover the costs of what you paid for,
17 taking care of the children?

18 **A** I really didn't look at it like that because they were my
19 grandchildren, but she just gave me something because she knew
20 she would have to put out a lot more if she went somewhere
21 else, you know, to somewhere else to take care of the kids.

22 **Q** Did you tell Mr. Watson that it was a fee that you were
23 charging her?

24 **A** Yeah, I told him that sometimes my daughter gives me \$100
25 a month --

1 Q Not that she gives you \$100 a month but that you are
2 charging her a fee, did you tell --

3 A I actually didn't charge her. This is what she gave me,
4 you know.

5 Q Understood, thank you.

6 I'd like to take a look at, this is one of the defense
7 exhibits you just went over, Defense Exhibit No. 288. Do you
8 remember this one?

9 A Yes.

10 Q Do you see the total for church up there?

11 A Uh-huh.

12 Q What's that number there?

13 A \$5,061.

14 Q And this section here, is this charities? Is that what
15 that says?

16 A Medical?

17 Q No, underneath "charities" --

18 A -- uh-huh.

19 Q And the total for charities?

20 A Yes.

21 Q What is the total there for charities?

22 A Uh-huh.

23 Q Could you please read the number.

24 A Oh. \$1,041.62.

25 MR. MORGAN: Your Honor, I'd ask the Court to take

1 judicial notice, please, that 5,061 plus \$1,041.62 is
2 \$6,102.62.

3 THE COURT: No. The jury can do the math
4 themselves.

5 MR. MORGAN: Okay. Mr. Mahoney, if we can please
6 bring up Exhibit No. 29, page 20, please. If we could enlarge
7 the gifts to charity portion.

8 BY MR. MORGAN:

9 Q Ma'am, do you see this section here?

10 A Yes.

11 Q Do you see for gifts to charity, line 16, gifts by cash or
12 check; do you see that line?

13 A 16, uh-huh.

14 Q What is the amount there for the total listed?

15 A \$8,222.

16 MR. MORGAN: Thank you, Your Honor. No further
17 questions.

18 THE COURT: Anything else just on that, Mr. Ruter?

19 MR. RUTER: No, Judge. Thank you very much.

20 THE COURT: Okay. Ms. Hall, thank you very much for
21 your testimony. You can step down now. We appreciate it.

22 THE WITNESS: Thank you.

23 THE COURT: Who's our next witness?

24 MR. MORGAN: Your Honor, the Government next calls
25 Karen Butler.

1 THE CLERK: Ms. Butler, please come forward. Please
2 walk towards me. Please take the witness stand. Remain
3 standing and please raise your right hand.

4 **KAREN BUTLER, GOVERNMENT'S WITNESS, SWORN**

5 THE CLERK: You may be seated, please. Speak clearly
6 into the microphone. Please state your first and last name.

7 THE WITNESS: Karen with a K, last name Butler.

8 THE CLERK: If you could get closer to the microphone
9 for me, Ms. Butler, I'd appreciate it. Please spell your first
10 and last name for the record.

11 THE WITNESS: It's Karen with a K, a-r-e-n. Last
12 name Butler, B-u-t-l-e-r.

13 THE CLERK: Thank you, ma'am.

14 **DIRECT EXAMINATION**

15 **BY MR. MORGAN:**

16 **Q** Good morning.

17 **A** Good morning.

18 **Q** Are you currently employed?

19 **A** No, I'm retired.

20 **Q** Where did you work previously?

21 **A** At the Veterans Hospital in Washington, D.C.

22 **Q** What did you do at the Veterans Hospital?

23 **A** I was a secretary in Voluntary Services.

24 **Q** When did you retire?

25 **A** It was 2020.

1 Q Are you married?

2 A Yes.

3 Q What's your spouse's name?

4 A John.

5 Q Does he work?

6 A No, he's retired.

7 Q What did he do prior to his retirement?

8 A He was a driver for the Secretary of the Veterans
9 Affairs.

10 Q How far did you get in school?

11 A Twelfth.

12 Q Did you ever receive any training specifically in taxes
13 and tax preparation?

14 A No.

15 Q Did you ever take any classes about taxes or tax
16 preparation?

17 A No.

18 Q Have you ever prepared your own taxes?

19 A No.

20 Q So do you use a tax preparer?

21 A Yes.

22 Q Why do you use a tax preparer rather than doing it
23 yourself?

24 A Because I don't know how.

25 Q Do you know an individual named Ronald Watson?

1 **A** Yes.

2 **Q** And how do you know him?

3 **A** He did my taxes.

4 **Q** How did you learn about Mr. Watson?

5 **A** Through my son-in-law and my daughter.

6 **Q** Did you know Mr. Watson in any other way other than
7 through tax preparation?

8 **A** No.

9 **Q** How many times per year would you see him?

10 **A** Three.

11 **Q** Per year, how many times per year did you see him?

12 **A** Just once per year.

13 **Q** And approximately how long would that meeting last with
14 him each year?

15 **A** Maybe about an hour, hour and a half.

16 **Q** All right. Did you and your husband meet with him
17 together?

18 **A** Yes.

19 **Q** Did you ever work with anyone else in the office, or was
20 it just Mr. Watson?

21 **A** No, just Mr. Watson.

22 **Q** And where did you meet with him?

23 **A** He had an office off of -- in Landover or Largo in
24 Maryland.

25 **Q** Did you ever meet with him anywhere else?

1 **A** No.

2 **Q** Can you describe his office?

3 **A** It was like a -- maybe a six-story building. It had
4 offices in it. His office was just a single office.

5 **Q** When you went to visit Mr. Watson, did you bring some
6 paperwork with you?

7 **A** Yes.

8 **Q** What kind of paperwork did you bring with you?

9 **A** It was my taxes. Paperwork that I can use to claim for my
10 taxes.

11 **Q** Such as -- do you remember anything in particular?

12 **A** Probably the property taxes... probably donation slips.

13 **Q** Do you own a business?

14 **A** No.

15 **Q** Did you tell Mr. Watson that you had a business?

16 **A** No. Unless you want to say we rent a house out, if you
17 want to consider that as a business.

18 **Q** So you had a rental property?

19 **A** Yes.

20 **Q** Tell the jury about your rental property.

21 **A** It's a home in D.C., and we moved out almost eight years
22 ago, and we put the house up for rental.

23 **Q** And how long have you owned that house in D.C. as well
24 approximately?

25 **A** Over 40 years.

1 Q And so have you been able to rent it out?

2 A Yes.

3 Q And do you manage the property yourself?

4 A No. We have property managers.

5 Q Did Mr. Watson ask you about this property?

6 A He could have.

7 Q Could you please describe for the jury the process, the
8 meeting you had with Mr. Watson. How did it look? You met
9 with him first in the office and then what happened?

10 A We would meet him in his office, and he would ask us for
11 our papers, and we would hand him our papers.

12 Q What would he do with those?

13 A He, I guess he just looked over them, but he really never
14 asked us anything about them.

15 Q Did you ever see him taking any notes?

16 A No, I can't say I have.

17 Q Did you ever see him using a computer?

18 A Yes.

19 Q How did he use the computer?

20 A Well, his computer would be on his desk, and we would be
21 behind him. His back would be towards us.

22 Q Were you able to see what he was putting into the
23 computer?

24 A No.

25 Q Did he speak with you during the meeting?

1 **A** He could have, you know, asked us a few things.

2 **Q** Do you remember anything about what he may have spoken to
3 you about?

4 **A** No.

5 **Q** So after he put the numbers into the computer, then what
6 would happen?

7 **A** Then he would just tell us that he was done and we could
8 sign the papers, and this is how much we was getting back, and
9 this is what he was getting.

10 **Q** Okay. Then did you sign those papers?

11 **A** Yes.

12 **Q** Did you get a copy of the paperwork?

13 **A** Yes. He put them all in a folder, handed it to us.

14 **Q** Do you know how he got paid?

15 **A** It would be through our taxes because I didn't -- we
16 didn't give him any cash or write him a check or anything.

17 **Q** Do you remember how much it was he was taking out of the
18 taxes?

19 **A** No.

20 **Q** How did you get your refund, if you were getting a
21 refund?

22 **A** It was entered into our account, a banking account.

23 MR. MORGAN: I'd like to show you Exhibit 4A, please.
24 If we could enlarge the top section.

25 **Q** Do you see this Form 1040, U.S. Individual Tax Return for

1 2015?

2 **A** Yes.

3 **Q** Is there a first name -- is there a name and initial as to
4 there?

5 **A** Yes, it's John and Karen Butler.

6 **Q** Is that your name and your husband's name?

7 **A** Yes.

8 **Q** Let's go down to line 7, please. Do you see line 7 there
9 in the Income section where it says, "Wages, salaries and
10 tips"?

11 **A** Yes.

12 **Q** What was the amount listed in line 7, box 7, for wages,
13 salaries and tips?

14 **A** 65,465.

15 **Q** And scrolling down, please, to line 17, where it says,
16 "Rental real estate, royalties, partnerships, S Corps, attach
17 Schedule E." Do you see that line, line 17?

18 **A** Yes.

19 **Q** Is there a number associated with the box for line 17
20 there?

21 **A** This is in line 17?

22 **Q** Yes.

23 **A** It says minus 10,714.

24 MR. MORGAN: If we could please pull up Exhibit 4B.
25 If we could please enlarge the top section.

1 **Q** Do you see this Schedule E, Form 1040, the Supplemental
2 Income and Loss, and underneath it says, "From rental real
3 estate, royalties, partnerships, S corporations, estates,
4 trusts, REMICs, etc." for the year 2015? Do you see this
5 form?

6 **A** Yes.

7 **Q** Are there any names written in the box underneath that?

8 **A** It says John and Karen Butler.

9 **Q** And do you see in box A, city and state for box A?

10 **A** Yes.

11 **Q** What is that?

12 **A** It says -- it's checked "no."

13 **Q** I'm sorry, under 1a where it says "physical address of
14 each property" and then below that it says capital A, do you
15 see that?

16 **A** Oh, yes.

17 **Q** What's listed there?

18 **A** It says Washington, D.C. 20001.

19 **Q** I'd like to scroll down to line 3, please. Do you see
20 where it says "income" and underneath of it there's the
21 number 3 and it says "rents received." Do you see that?

22 **A** Uh-huh.

23 **Q** Are there any figures for line 3, rents received, in
24 columns A, B or C on this form?

25 **A** No.

1 Q Down, please, now to line 24. You see line 24 where it
2 says "income"?

3 A Yes.

4 Q Is there anything in the box associated with the income in
5 box 24?

6 A No.

7 Q Losses on line 25, do you see where it says "losses"?

8 A Yes.

9 Q Is there a number associated with that for box 25?

10 A Yes.

11 Q What's that number?

12 A It says 10,714.

13 Q Thank you.

14 MR. MORGAN: If we could, please, go back to Exhibit
15 4A. And line 12, please. If you can enlarge that section.

16 Q Do you see line 12 where it says, "Business income or
17 loss"?

18 A Yes.

19 Q And is there a number associated with the box for box
20 12?

21 A Yes.

22 Q Can you please read the number that is there.

23 A It says minus 34,236.

24 MR. MORGAN: Turning to page 45, please. Can you
25 please enlarge the top portion only.

1 Q Do you see this at the top where it says Schedule C, Form
2 1040, Profit or Loss from Business for year 2015; do you see
3 that?

4 A Yes.

5 Q And is there a name of the proprietor for this form?

6 A It says "John Butler."

7 Q What is it right underneath in line A, what's listed for
8 the principal business or profession?

9 A It says "real estate property managers."

10 Q Line C, is there a business name listed?

11 A It just says "rental."

12 Q Did you or your husband have a principal business or
13 profession as real estate property managers?

14 A No.

15 MR. MORGAN: Your Honor, I see our time --

16 THE COURT: Yes, it's time to break for the day.

17 Thank you very much, Mr. Morgan.

18 Ladies and gentlemen, as I said, today is a short
19 day. Gives you a taste of what we're going to be dealing with
20 over the next few days except on subsequent days, we'll have a
21 lunch break and have an afternoon session. This was sort of
22 just to get you warmed up into the process here. We're going
23 to let you go for the day. We expect to see you back here
24 tomorrow morning, ready to start at 9:00.

25 Again, don't discuss the case among yourselves or

1 with anyone else. Don't do any outside research. Just either
2 enjoy the afternoon or do whatever else you need to get done
3 this afternoon, and we'll see you back here tomorrow morning.
4 Thank you very much.

5 THE CLERK: All rise for the jury.

6 (Jury left the courtroom at 11:59 a.m.)

7 THE COURT: Thank you, everyone. Please be seated.
8 Ms. Butler, you can step out and we'll look forward to seeing
9 you tomorrow morning.

10 I want to ask about the schedule but I know
11 Mr. Watson has to leave. If he is willing to let me talk to
12 the lawyers about the schedule, I'm happy to have him step out
13 now.

14 MR. RUTER: He elects to leave, Your Honor. He knows
15 we're going to talk about scheduling.

16 THE COURT: That's all we're going to talk about.

17 MR. RUTER: 9:00 tomorrow morning for him to be here?
18 Am I correct, Your Honor?

19 THE COURT: I'd like to again be ready at 8:45 if we
20 can.

21 MR. RUTER: Yes, sir. 8:45 it is.

22 THE COURT: Thank you. You may leave now,
23 Mr. Watson. Again, our condolences to your family.

24 THE DEFENDANT: Thank you.

25 THE COURT: Mr. Morgan, can you give me a sense of

1 what we're dealing with for tomorrow and whether you've had a
2 chance to confer with Mr. Ruter about any issues that may
3 arise?

4 MR. MORGAN: Yes, Your Honor. I anticipate obviously
5 we'll be continuing with Ms. Butler tomorrow. I do anticipate
6 that she may be slightly longer than our first taxpayer
7 witness.

8 THE COURT: Okay.

9 MR. MORGAN: After that we anticipate calling
10 Mr. Stanley Jones.

11 THE COURT: Same category of witness?

12 MR. MORGAN: Yes, Your Honor. Then Rana Johnson.

13 THE COURT: Also a taxpayer?

14 MR. MORGAN: Yes, Your Honor. Then Charlene Jones,
15 also a taxpayer.

16 THE COURT: Okay.

17 MR. MORGAN: And Maurice Brown most likely would
18 be after that.

19 THE COURT: So all taxpayers --

20 MR. MORGAN: Yes, the entire day will be client
21 taxpayers.

22 THE COURT: Are they all same types of documents?
23 We've already gotten some of the returns, although you didn't
24 offer every document that the first witness dealt with.
25 Mr. Ruter, you're going to have some similar documents as to

1 what you had with Ms. Hall?

2 MR. RUTER: Yes, sir.

3 THE COURT: Hopefully everyone can -- it went
4 relatively smoothly today so if there's any communications that
5 can be had to keep it on track or be efficient about it, I
6 appreciate that. Is there anything that anyone knows about for
7 those witnesses that could be something to discuss?

8 MR. RUTER: I am not aware, Your Honor.

9 MR. MORGAN: No, Your Honor. Thank you.

10 THE COURT: Okay. So we'll see you -- let's plan to
11 be ready at 8:45. And if there's anything that comes up
12 between now and then, shoot us an email and we'll be ready to
13 talk about it at 8:45, or we'll even -- if the parties think it
14 requires discussion before 9:00, we can agree to come at 8:30
15 if it's helpful. I would just have to stop any discussions
16 right at 9:00 or when the jury gets here, which hopefully will
17 be the same time, but I don't know for sure.

18 Okay. We'll see you then tomorrow morning.

19 MR. RUTER: Thank you, Your Honor.

20 LAW CLERK: All rise. This Honorable Court is now
21 adjourned.

22 (Proceedings concluded at 12:03 p.m.)
23
24
25

1 CERTIFICATE OF OFFICIAL REPORTER

2 I, Patricia G. Mitchell, Registered Merit Reporter,
3 Certified Realtime Reporter, in and for the United States
4 District Court for the District of Maryland, do hereby certify,
5 pursuant to 28 U.S.C. § 753, that the foregoing is a true and
6 correct transcript of the stenographically-reported proceedings
7 held in the above-entitled matter and the transcript page
8 format is in conformance with the regulations of the Judicial
9 Conference of the United States.

10 Dated this 11th day of April 2023.

11
12 

13 _____
14 Patricia G. Mitchell, RMR, CRR
15 Federal Official Reporter
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April 15 6:9 .

April 2023. 111:10 .

February 28, 2023

1:17 .

\$1 86:14, 94:17, 94:23,
96:24, 97:1 .\$10 22:12, 22:13,
60:24 .\$100 42:7, 91:2, 94:25,
95:11, 95:24, 96:1 .

\$150 92:8 .

\$2 48:2, 48:4, 49:11, 50:12,
58:15, 89:6, 92:16,
93:1 .

\$22 52:25, 53:5 .

\$25 24:18 .

\$26 56:14, 56:15,
81:12 .

\$3 82:20 .

\$33 22:23 .

\$37 45:16, 73:24,
74:14 .

\$38 82:5 .

\$4 48:15, 48:19, 54:16,
54:22, 92:11, 93:1,
94:9 .

\$40 82:11 .

\$5 96:13 .

\$6 97:2 .

\$600 47:2 .

\$8 97:15 .

\$800 88:17, 89:1, 90:25,
91:5, 91:14 .

\$950 55:9, 55:14 .

\$950." 55:8 .

.

.

< 0 > .

00 1:18, 4:5, 41:14, 41:22,
107:24, 108:17, 110:14,
110:16 .000 47:17, 48:2, 48:4,
50:12, 51:14, 51:16,
60:24, 82:5, 82:11,
82:20 .

010 49:11, 50:3 .

03 110:22 .

034 94:17 .

041.62 96:24, 97:1 .

061 96:13, 97:1 .

08 3:2 .

.

.

< 1 > .

1 10:15, 16:16, 16:22,
20:24, 21:16, 22:17,
33:17, 46:22, 46:25,
49:19, 88:13, 88:15 .

1-cr-00449-tdc-1 1:10 .

10 4:2, 51:16, 61:9, 61:15,
61:16, 61:17, 62:12,
104:23, 106:12 .

100 28:19, 80:17 .

102.62 97:2 .

1040 6:6, 6:7, 6:8, 6:18,
6:22, 13:3, 18:13, 21:2,
21:4, 21:7, 23:11, 25:7,
30:17, 30:22, 31:2, 31:8,
44:21, 44:25, 46:2,
52:12, 53:10, 53:12,
53:18, 56:2, 56:24,
73:23, 85:12, 103:25,
105:1, 107:2 .

1040s 6:15, 10:22 .

105 30:18 .

106 30:24, 31:4, 31:8 .

1099 8:22 .

11 108:6 .

113 32:9, 32:12 .

11B 16:17, 16:22 .

11th 111:10 .

12 4:5, 22:17, 22:18, 22:19,
22:21, 23:11, 24:6, 45:8,
45:9, 45:10, 45:12,
45:14, 50:18, 52:18,
52:19, 52:24, 56:8,
56:10, 56:11, 56:13,
106:15, 106:16, 106:20,
110:22 .

13 64:20, 81:9, 81:10 .

14 16:17, 16:23, 33:19,
33:23 .

14-digit 19:1 .

15 11:9, 16:17, 16:23,
29:15, 29:25, 33:11,
34:5, 47:10, 47:13,
47:16, 57:22, 58:7,
89:4 .

150 1:35 .

16 12:25, 41:8, 64:8, 97:11,
97:13 .17 5:10, 40:20, 41:8, 64:8,
104:15, 104:17, 104:19,
104:21 .

18A 16:17, 16:23 .

1a 105:13 .

.

.

< 2 > .

2 17:15, 17:18, 17:19, 18:1,
18:22, 47:17, 50:3 .20 48:8, 53:16, 54:13,
97:6 .

200 49:19, 94:23 .

20001 105:18 .

20002 1:36 .

2009 35:21 .

2014 79:7 .

2015 12:25, 30:17, 36:12,
40:6, 41:8, 45:1, 46:2,
48:17, 50:20, 51:20,
71:2, 77:11, 83:1, 86:8,
104:1, 105:4, 107:2 .2016 31:3, 31:4, 40:7,
52:13, 53:1, 53:3, 53:19,
71:2, 83:5, 86:1 .2017 12:25, 31:11, 40:7,
56:3, 56:15, 56:25, 71:2,
71:12, 88:25 .

2020 98:25 .

2021 6:17 .

20770 1:30 .

20b 48:11, 48:14, 54:14,
54:15 .

21 24:25, 55:6 .

21237 1:43 .

22 45:23 .

222 97:15 .

22B 16:17, 16:23 .

23 23:1, 49:13 .

236 106:23 .

24 106:1, 106:5 .

25 2:11, 71:11, 106:7,
106:9 .

26 56:23, 71:12 .

264 6:17 .

27 58:18 .

27a 49:7, 49:10, 49:12,
58:19, 58:21 .

28 111:5 .

280 86:14 .

287 75:7, 75:9 .

288 77:1, 77:8, 96:7 .

289 79:18 .

29 16:17, 16:23, 44:19,
45:24, 50:17, 73:23,
80:2, 97:6 .

290 83:11, 83:15, 84:3 .

291 84:18, 84:22 .

292 85:20, 86:5 .

293 87:7, 87:15, 87:16 .

296 89:15, 89:20 .

297 93:8, 93:14, 93:16 .

298 90:4, 90:12, 94:25 .

.

.

< 3 > .

3 21:13, 23:14, 41:14,
105:19, 105:21,
105:23 .30 41:14, 41:22, 52:10,
53:15, 110:14 .

30" 47:7 .

30-some 78:5 .

30. 58:6 .

300 24:6, 24:7, 58:15, 89:6,
92:16, 93:1 .

3050 9:20, 14:6 .

31 16:18, 16:23, 55:25,
56:22, 56:23, 88:12,
94:2 .

33 2:13, 16:18, 16:23 .

34 16:18, 16:23, 31:21,
31:24, 56:21, 61:15,
61:17, 106:23 .

35 2:17, 41:12 .

360 49:18 .

37 16:18, 16:23, 45:17,
65:3 .

38 51:14, 65:4, 70:20 .

38B 16:18, 16:24 .

.

.

< 4 > .

4 2:9, 19:9, 41:14 .

40 23:15, 23:16, 24:2,
24:17, 24:22, 25:7, 39:5,
41:12, 65:3, 65:8, 65:10,
70:18, 81:20,

<p>101:25 . 40-some 94:12 . 41 16:18, 16:24 . 42 82:12 . 43 16:18, 16:24 . 45 39:5, 61:9, 61:16, 61:17, 106:24, 108:19, 108:21, 110:11, 110:13 . 4562 81:16 . 465 104:14 . 4766 33:19, 33:23 . 48 49:13 . 48. 49:12 . 487 56:14, 56:15 . 49 62:12 . 4A 11:2, 33:7, 33:14, 34:1, 34:8, 103:23, 106:15 . 4B 11:2, 33:21, 34:1, 34:8, 104:24 . . . < 5 > . 5 52:4, 97:1 . 50 34:4 . 500 48:15, 48:19, 54:16, 54:22 . 51 10:15 . 52 31:16 . 52A 12:3, 12:10 . 52H 12:4, 12:10 . 53 12:16, 12:18, 12:19, 12:23, 30:12, 30:13, 30:14, 33:17 . 54 31:1 . 56 23:25 . 5642 50:19 . 565.57 94:9 . 59 108:6 . . . < 6 > . 6 24:6, 41:22, 51:6, 51:7, 58:22, 81:16 . 6- 42:8 . 600 24:6, 92:11, 93:1 . 60s 70:24 . 62 2:19 . 629 24:18 . 6406 1:29 .</p>	<p>65 104:14 . 66 5:25 . 6a 51:9 . 6B 16:17, 16:22 . . . < 7 > . 7 21:11, 21:16, 21:21, 41:22, 58:2, 58:3, 104:8, 104:12 . 70 12:19, 12:23 . 70. 12:17 . 700 42:8 . 70s 70:24 . 714 104:23, 106:12 . 739 22:23 . 75 22:10 . 753 111:5 . 766 22:12, 22:13 . 76a 22:8, 22:9, 22:10, 22:12 . 78 21:15, 21:17, 21:18, 21:20, 21:22 . 79 21:15 . . . < 8 > . 8 108:19, 108:21, 110:11, 110:13, 110:14 . 800 1:29, 58:4, 58:22, 81:12 . 80s 70:24 . 82A 13:15, 13:20, 13:22, 14:2 . 82D 13:16, 13:22, 14:1, 14:2 . 83 13:23 . 83A 13:20, 14:13, 14:14, 14:16 . 83B 14:24, 14:25 . 83C 15:7, 15:8 . 84 15:14, 15:16 . 85A 15:25, 16:3, 31:13 . 85B 31:18 . 85C 15:25, 16:3, 32:3 . 8888 22:11 . 8: 1:10 . . . < 9 > .</p>	<p>9 1:18, 3:2, 4:2, 4:5, 16:17, 16:22, 24:7, 107:24, 108:17, 110:14, 110:16 . 90 49:18 . 921 52:25, 53:5 . 929 45:16, 45:17, 73:24, 74:14 . 9411 1:42 . 95 2:21 . 98 2:25 . [sic] 50:19, 71:12 . . . < A > . a-r-e-n 98:11 . A. 24:23 . a.m. 1:18, 3:2, 4:2, 61:15, 61:17, 62:12, 108:6 . able 15:22, 20:18, 32:13, 39:14, 39:23, 40:1, 42:5, 102:1, 102:22 . above 22:2, 60:7, 75:11, 84:7, 89:23, 91:14 . above-entitled 111:7 . absence 10:6 . access 9:13 . accompanying 75:23, 76:9 . according 79:1 . accordingly 36:4 . account 7:5, 7:6, 7:11, 12:10, 25:20, 25:23, 25:25, 103:22 . accuracy 32:20 . accurate 11:17, 12:11, 14:17, 15:2, 15:9, 15:18, 25:25, 26:4, 28:20, 30:18, 31:9, 70:6, 70:8, 94:21, 95:1 . acquaintance 65:12 . acronym 8:19 . Act 36:1 . Action 3:5, 7:14 . active 78:1 . activity 42:19, 51:1, 51:2, 58:16 . actual 27:21, 29:11, 31:6, 74:16 . Actually 27:1, 29:9, 46:19,</p>	<p>56:9, 72:22, 75:19, 76:10, 78:3, 78:11, 80:21, 85:13, 86:13, 92:22, 96:3 . addendums 7:2 . adding 65:3 . addition 9:8 . additional 30:5 . address 7:21, 105:13 . adjourned 110:21 . administration 9:5 . admission 75:7, 83:25, 84:20, 86:3, 87:12, 89:18, 90:10, 93:12 . admit 16:16 . admitted 61:25 . Affairs 99:9 . affirmatively. 88:23 . afternoon 107:21, 108:2, 108:3 . agencies 64:11 . Agency 5:4, 63:18, 64:14, 64:16, 64:21 . Agent 1:46, 3:12 . agents 63:8, 71:17 . ago 25:21, 32:18, 80:16, 91:4, 92:14, 101:22 . agree 76:8, 81:21, 92:25, 94:7, 110:14 . ahead 35:12, 62:15 . alert 61:23 . allow 11:9, 20:17, 29:20, 29:23 . allowed 24:13, 85:14 . almost 28:7, 86:7, 101:21 . already 29:4, 68:1, 69:2, 89:24, 109:23 . although 109:23 . America 1:5, 3:5 . among 61:11, 107:25 . Amortization 50:20 . Amount 21:15, 22:2, 22:4, 22:10, 22:12, 22:22, 24:16, 24:17, 31:6, 45:14, 46:25, 48:14, 49:10, 52:24, 58:3, 58:18, 58:21, 78:14, 81:12, 92:15, 97:14, 104:12 .</p>
---	--	--	--

amounts 24:6, 24:7, 50:4, 59:6, 81:22 .	86:22 .	believe 11:1, 30:12, 30:17, 32:3, 49:14, 63:5, 64:20, 65:4 .	building 101:3 .
analogy 28:14 .	attachments 12:25 .	below 19:23, 83:21, 105:14 .	bulletins 87:24 .
analyst 63:20, 64:2 .	attend 72:3 .	benefit 78:17 .	Bunche 77:25, 78:4, 78:22 .
and/or 71:17 .	attention 17:15, 47:10, 48:7 .	besides 60:13 .	burden 4:7 .
Announced 66:1, 66:3 .	Attorney 1:28 .	best 71:6, 76:15, 77:19 .	Butler 2:23, 97:25, 98:1, 98:4, 98:7, 98:9, 98:12, 104:5, 105:8, 108:8, 109:5 .
annual 8:3 .	audited 60:20, 60:23 .	better 23:23, 26:24, 29:23, 51:8, 84:6 .	Butler. 107:6 .
answers 67:9 .	authority 9:13 .	big 62:6 .	byline 18:12 .
anticipate 109:4, 109:5, 109:9 .	authorized 8:10, 20:1, 72:21, 72:23, 73:2 .	bill 68:20, 80:15, 84:9, 84:10, 84:11, 92:8, 92:9 .	.
anybody 39:2, 79:13 .	auto 58:10 .	bills 50:6 .	.
anyway 60:14 .	automatically 7:12 .	binder 62:5 .	< C > .
apart 58:7, 66:23 .	automotive 91:23 .	binders 10:9, 10:12, 17:21 .	C-EZ. 22:20, 45:13 .
apologize 57:23, 77:19, 77:21 .	available 13:5, 16:7, 16:10 .	bit 20:13, 21:1, 34:20, 63:25 .	C. 1:40, 1:41, 22:24, 41:4, 41:7, 52:22, 53:16, 56:12, 80:5, 88:13, 98:21, 101:21, 101:23, 105:18, 111:5 .
appear 19:11, 24:19, 25:6, 85:13 .	award 27:10 .	black 37:10 .	calculate 21:11, 25:6 .
appears 20:5, 74:22, 93:2 .	aware 60:7, 110:8 .	blank 20:5, 54:4 .	call 4:8, 13:9, 61:19, 68:15, 84:6 .
application 15:1, 28:1 .	away 4:6, 78:6, 88:25 .	block 19:13 .	called 21:15, 22:2, 50:14, 61:22 .
applied 7:20 .	.	blocks 21:18 .	calling 109:9 .
applies 26:6 .	< B > .	Board 64:23 .	calls 4:9, 34:24, 97:24 .
apply 8:14, 26:9, 26:17, 28:1 .	B-o-l-u-s 4:19 .	bottom 21:14, 49:14, 58:24, 60:5, 75:2, 78:20 .	Cannon 32:17 .
applying 28:12 .	B-u-t-l-e-r 98:12 .	bracket 30:5, 34:7 .	capital 105:14 .
appreciate 3:21, 4:4, 34:15, 80:3, 90:23, 97:21, 98:9, 110:6 .	B. 11:2 .	brackets 30:4 .	car 49:5, 51:20, 51:21, 51:24, 52:1, 52:8, 68:21, 82:10, 82:14, 82:17, 82:21, 82:25, 92:11, 92:17 .
approximate 42:5 .	babysitting 40:10, 40:13 .	break 34:18, 59:15, 61:6, 61:7, 61:12, 107:16, 107:21 .	care 42:24, 43:3, 43:17, 46:14, 47:18, 48:21, 50:5, 50:9, 51:3, 51:4, 54:2, 55:15, 57:5, 57:9, 57:19, 58:12, 59:3, 67:14, 69:25, 74:14, 86:13, 90:17, 90:25, 91:2, 91:16, 92:1, 95:17, 95:21 .
Approximately 39:4, 41:10, 41:13, 41:19, 100:13, 101:24 .	background 26:20, 26:25, 27:3, 27:4, 27:5, 28:5, 28:11 .	Briefly 33:4, 60:22, 95:8 .	case 6:5, 61:11, 107:25 .
arise 109:3 .	Baltimore 1:43 .	bring 3:22, 5:22, 38:18, 38:19, 38:22, 97:6, 101:5, 101:8 .	cash 42:3, 73:13, 91:2, 97:11, 103:16 .
Around 30:7, 34:4, 34:20, 39:13, 39:16, 39:20, 41:14, 41:22, 42:7, 42:8, 60:25, 64:4 .	Bank 44:18, 64:23 .	brother 37:22 .	category 109:11 .
arrive 21:19, 21:24 .	banking 103:22 .	brought 38:21, 40:17, 60:10 .	cause 27:10 .
article 37:9 .	based 7:8, 7:9, 8:25, 28:4 .	Brown 109:17 .	cell 49:19, 59:4, 80:12,
assist 6:25 .	basic 17:11, 26:20, 28:11 .	Budget 64:17, 64:18 .	
associated 45:14, 47:15, 48:14, 49:10, 52:24, 80:24, 104:19, 106:4, 106:9, 106:19 .	Basically 6:11, 9:21, 33:12, 43:10, 51:21, 64:3 .		
asterisks 19:11, 19:12, 19:13 .	basket 29:11 .		
Attach 22:20, 24:15, 45:13, 52:22, 56:11, 104:16 .	batch 29:15, 29:24 .		
attached 22:11, 70:6,	batches 29:19 .		
	become 6:1 .		
	begin 62:14 .		
	beginning 11:7, 69:8 .		
	begins 33:19 .		
	behalf 3:10, 3:15, 20:21 .		
	behind 39:24, 66:17, 94:5, 102:21 .		
	belief 76:16 .		

80:14, 80:15, 92:9, 94:23, 94:25 .	52:9, 58:13, 74:14, 86:21, 95:17 .	78:8, 87:24 .	Corps 104:16 .
Center 78:1, 78:5, 87:24 .	Christian 77:25 .	compare 11:21 .	correct 3:23, 12:2, 14:2, 25:21, 29:7, 31:19, 32:22, 65:19, 70:13, 72:10, 72:16, 73:7, 73:10, 76:12, 76:16, 80:10, 84:7, 86:14, 87:25, 108:18, 111:6 .
cents 94:12 .	CHUANG 1:22 .	Compared 11:22, 52:4 .	correctly 59:22 .
certain 9:10, 9:17, 52:8 .	chunks 34:3 .	complete 6:22, 8:3, 21:18, 93:7 .	Cost 51:12, 51:15, 82:7, 82:8, 82:10 .
CERTIFICATE 9:20, 111:1 .	church 69:4, 77:18, 77:23, 78:21, 87:23, 90:14, 96:10 .	complete. 76:17 .	costs 95:16 .
certificates 66:14 .	circulation 34:20 .	completed 19:25 .	Counsel 3:8, 3:10, 32:16 .
Certification 13:20, 14:1, 14:5, 14:25 .	city 105:9 .	complex 63:25 .	counsel. 95:4 .
certifications 8:3, 14:7 .	claim 7:3, 24:13, 101:9 .	compliance 27:4 .	country 64:5 .
Certified 5:21, 14:5, 111:3 .	clarify 13:22, 19:5, 34:8 .	computer 7:12, 8:18, 12:15, 18:14, 39:13, 39:16, 39:18, 39:24, 40:2, 70:5, 102:17, 102:19, 102:20, 102:23, 103:5 .	county 84:13, 85:10 .
certify 5:21, 9:16, 10:1, 111:4 .	classes 36:19, 99:15 .	Computer-aided 1:49 .	couple 8:6, 68:22, 75:16 .
certifying 9:8 .	classified 28:10 .	concerned 28:24 .	course 21:3, 25:15, 27:4, 42:18, 47:22, 65:14, 67:13 .
chair 66:12, 66:13 .	clearly 4:14, 35:5, 39:23, 98:5 .	concerns 93:24 .	courtroom 4:2, 37:7, 61:15, 62:12, 108:6 .
chance 109:2 .	CLERK 3:4, 4:12, 4:14, 4:17, 4:20, 35:1, 35:5, 35:8, 35:11, 61:14, 98:1, 98:5, 98:8, 98:13, 108:5, 110:20 .	concluded 110:22 .	cover 95:16 .
changing 34:18 .	click 30:4, 30:5, 34:5 .	conduct 28:3 .	create 8:25 .
charge 96:3 .	client 109:20 .	confer 17:5, 109:2 .	credentials 27:16 .
charging 95:12, 95:13, 95:23, 96:2 .	closer 98:8 .	Conference 111:9 .	Credits 23:25 .
charitable 79:2, 86:12 .	clothing 37:9 .	conferred 95:4 .	Criminal 1:9, 1:34, 3:5, 5:1, 5:22 .
charities 77:24, 93:6, 96:14, 96:17, 96:19, 96:21 .	co-counsel 17:5 .	confident 79:21 .	CROSS-EXAMINATION 2:11, 2:19, 25:13, 25:16, 61:6, 62:14, 62:17 .
charity 38:25, 69:3, 69:4, 77:4, 78:12, 78:14, 78:23, 79:15, 93:25, 97:7, 97:11 .	coach 28:12, 28:16, 28:18 .	conformance 111:8 .	CRR 111:16 .
Charlene 109:14 .	COFER 1:32, 2:9, 2:13, 3:11, 4:9, 4:22, 16:13, 16:25, 17:3, 17:8, 17:17, 19:8, 20:24, 21:13, 22:1, 22:16, 22:25, 23:13, 23:21, 24:24, 25:9, 33:3, 33:6, 33:9, 33:20, 34:11, 46:18 .	Congress 5:5 .	Cs 76:13 .
Charles 1:46, 3:12 .	collect 5:6 .	connection 10:3 .	current 5:11 .
check 22:11, 26:20, 26:25, 27:3, 27:5, 27:15, 28:4, 28:7, 28:8, 28:10, 28:16, 28:24, 28:25, 44:15, 73:12, 97:12, 103:16 .	coach 28:12, 28:16, 28:18 .	consider 101:17 .	currently 35:18, 36:9, 78:1, 98:18 .
checked 105:12 .	COFER 1:32, 2:9, 2:13, 3:11, 4:9, 4:22, 16:13, 16:25, 17:3, 17:8, 17:17, 19:8, 20:24, 21:13, 22:1, 22:16, 22:25, 23:13, 23:21, 24:24, 25:9, 33:3, 33:6, 33:9, 33:20, 34:11, 46:18 .	consist 27:1 .	cursor 23:24 .
checks 26:21 .	column 51:12 .	contain 12:23 .	custodial 5:19 .
Child 46:14, 48:21, 51:3, 51:4, 54:2, 57:5, 57:9, 57:19, 86:13, 90:17, 90:24, 91:2, 91:16, 92:1 .	columns 105:24 .	contained 8:1, 11:25, 12:14, 15:21, 18:13, 66:9, 84:7 .	custodian 11:15 .
children 41:23, 42:9, 43:13, 47:19, 51:23,	comes 71:5, 110:11 .	containing 10:10 .	.
	coming 4:4, 29:19, 34:16, 61:18 .	contains 10:22, 15:16 .	.
	Commissioner 5:18, 5:19 .	continuing 109:5 .	< D > .
	communications 110:4 .	contributions 86:12 .	D-a-r-l-e-n-e 35:10 .
	Community 20:18, 27:8, 28:3, 28:12, 77:25, 78:5,	conversation 63:25 .	D. 1:22, 46:10, 50:25, 52:17, 53:24, 56:7, 57:3 .
		conversations 42:21, 43:18, 78:10, 78:18 .	daily 52:4 .
		convicted 27:13, 28:17 .	
		coordinator 5:12, 5:16, 5:17, 5:24 .	
		copies 11:17, 12:11 .	
		copy 77:19, 103:12 .	
		corner 18:23, 33:13 .	
		corporation 23:7 .	
		corporations 105:3 .	

<p>Darlene 2:15, 34:24, 35:4, 35:7, 45:5, 46:10, 46:17, 50:25, 52:17, 53:24, 54:5, 56:7, 57:3, 57:7 .</p> <p>Data 8:16, 8:17, 8:21, 10:2, 11:23, 11:25, 14:21, 15:12, 15:16, 18:12, 18:14, 18:16, 18:17, 19:3 .</p> <p>database 8:1, 12:15 .</p> <p>databases 9:14 .</p> <p>Dated 111:10 .</p> <p>daughter 40:10, 41:20, 42:2, 42:6, 42:11, 69:7, 69:12, 91:1, 95:11, 95:24, 100:5 .</p> <p>day 4:5, 40:16, 40:23, 40:25, 46:14, 48:21, 51:3, 51:4, 54:2, 57:5, 57:9, 57:19, 61:7, 107:16, 107:19, 107:23, 109:20, 111:10 .</p> <p>days 107:20 .</p> <p>DC 1:36 .</p> <p>deaf 72:5, 72:23 .</p> <p>dealing 107:19, 109:1 .</p> <p>deals 31:25, 32:3, 32:4, 91:23 .</p> <p>dealt 63:21, 71:11, 109:24 .</p> <p>Debra 32:17 .</p> <p>declaring 75:22 .</p> <p>deductible 88:6, 88:10 .</p> <p>deduction 23:18, 23:23, 24:3, 24:7, 24:11, 24:12, 24:20, 24:21, 24:22, 25:4 .</p> <p>deduction. 23:18, 24:11 .</p> <p>deductions 7:3, 23:17, 24:10, 24:12, 24:14, 24:20, 25:6 .</p> <p>DEFENDANT 1:12, 1:38, 3:19, 37:12, 95:4, 108:24 .</p> <p>Defense 77:5, 96:6, 96:7 .</p> <p>definition 67:19,</p>	<p>67:20 .</p> <p>Department 1:33, 3:11, 5:5, 35:23 .</p> <p>depreciate 32:13 .</p> <p>Depreciation 16:4, 32:5, 50:15, 50:20, 81:10, 81:12 .</p> <p>describe 5:15, 21:5, 26:24, 38:1, 38:14, 39:16, 40:13, 40:14, 42:21, 101:2, 102:7 .</p> <p>described 9:3, 14:9, 24:3 .</p> <p>describing 13:1, 21:16, 33:10 .</p> <p>description 51:9, 51:10 .</p> <p>designation 27:25, 86:21, 94:4 .</p> <p>designed 32:11 .</p> <p>desk 39:21, 39:22, 66:13, 66:16, 66:20, 66:21, 102:20 .</p> <p>destroy 71:4 .</p> <p>determine 9:9 .</p> <p>Development 35:23 .</p> <p>different 11:3, 17:9, 43:11, 64:4, 64:13, 64:21, 65:13, 77:18, 86:10 .</p> <p>difficult 62:6 .</p> <p>DIRECT 2:9, 2:17, 2:25, 4:21, 35:14, 48:7, 59:18, 66:25, 70:3, 98:14 .</p> <p>directly 44:18 .</p> <p>disabled 72:5 .</p> <p>discuss 59:2, 61:11, 107:25, 110:7 .</p> <p>discussed 6:5 .</p> <p>discussing 48:4 .</p> <p>discussion 52:6, 89:12, 110:14 .</p> <p>discussions 89:10, 110:15 .</p> <p>District 1:1, 1:2, 111:4 .</p> <p>divide 93:1 .</p> <p>divided 11:1, 11:6, 11:7 .</p> <p>Division 1:3, 1:34, 3:11, 3:13, 5:2 .</p> <p>DLN 18:25, 33:18, 33:19,</p>	<p>33:22, 33:24 .</p> <p>DLN. 18:23 .</p> <p>documentation 32:16, 68:25, 70:23, 71:1, 94:24 .</p> <p>documents 5:20, 5:21, 10:10, 10:14, 11:13, 12:3, 12:7, 12:22, 13:15, 16:2, 29:5, 36:3, 38:22, 60:3, 60:5, 60:9, 61:24, 62:1, 69:3, 69:15, 69:21, 70:12, 71:9, 71:19, 76:13, 85:3, 92:19, 109:22, 109:25 .</p> <p>documents. 10:17, 12:5, 12:20, 13:17 .</p> <p>doing 5:13, 7:22, 26:9, 34:22, 37:1, 40:23, 42:13, 42:15, 44:8, 59:5, 59:23, 59:25, 61:23, 67:4, 76:3, 78:11, 79:12, 88:14, 99:22 .</p> <p>DOJ 1:47 .</p> <p>dollar 81:22, 94:5 .</p> <p>dollars 74:13, 80:17 .</p> <p>donation 101:12 .</p> <p>done 42:17, 59:17, 59:22, 103:7, 108:2 .</p> <p>download 11:9, 13:9, 33:12 .</p> <p>downloading 30:3 .</p> <p>downloads 11:12 .</p> <p>driven 79:2 .</p> <p>driver 99:8 .</p> <p>due 6:9, 6:12, 21:12, 22:4 .</p> <p>During 22:6, 39:8, 39:10, 43:19, 44:3, 64:11, 65:6, 65:10, 65:13, 102:25 .</p> <p>duties 5:15, 5:19, 6:1, 9:9, 36:2 .</p> <p>.</p> <p>.</p> <p>< E > .</p> <p>e-file 14:25 .</p> <p>E. 104:17 .</p> <p>earlier 13:1, 16:6, 49:21, 80:4, 80:6 .</p> <p>earning 40:6 .</p>	<p>efficient 110:5 .</p> <p>effort 3:21 .</p> <p>EFIN 8:7, 8:8, 8:15, 26:6, 26:10, 26:15, 26:22, 27:1, 27:10, 27:14, 28:1, 28:8, 28:25 .</p> <p>eight 101:21 .</p> <p>EIN 15:1 .</p> <p>either 9:16, 17:12, 18:17, 85:16, 108:1 .</p> <p>elected 51:15 .</p> <p>electric 68:20, 90:21, 92:7 .</p> <p>electricity 43:11 .</p> <p>Electronic 8:8, 8:10, 11:25, 26:23 .</p> <p>electronically 8:11, 11:23, 17:14, 18:7, 18:9, 20:3, 20:10, 20:19 .</p> <p>electronically-filed 18:20, 19:20 .</p> <p>elects 108:14 .</p> <p>ELMO 62:2 .</p> <p>email 110:12 .</p> <p>Emergency 63:18 .</p> <p>employed 35:18, 98:18 .</p> <p>employee 15:5 .</p> <p>employees 7:13, 11:9, 29:10, 29:15, 34:3 .</p> <p>end 21:11, 43:19, 60:2 .</p> <p>ends 33:19, 33:23 .</p> <p>enforce 5:6 .</p> <p>Enforcement 1:34 .</p> <p>engagement 67:8 .</p> <p>enjoy 61:12, 108:2 .</p> <p>enlarge 44:20, 45:8, 45:24, 50:18, 52:11, 53:17, 56:1, 97:6, 103:24, 104:25, 106:15, 106:25 .</p> <p>enlargement 54:6 .</p> <p>enough 6:13 .</p> <p>entail 9:19 .</p> <p>Enter 47:6, 58:5 .</p> <p>entered 4:2, 46:13, 62:12, 103:22 .</p> <p>entire 11:5, 23:22, 65:6, 109:20 .</p> <p>entitled 7:2, 79:1 .</p>
---	---	--	---

entity 7:8 .	exist 10:2 .	95:22, 96:2 .	format 111:8 .
entries 7:11, 7:12, 80:20, 80:24 .	exists 27:6 .	feed 43:13 .	Forms 6:21, 8:23, 9:24, 10:1, 13:3, 76:9 .
Eric 1:47, 3:13 .	expect 107:23 .	feel 34:21, 79:21 .	forth 43:10, 57:12, 78:21, 79:13 .
Esquire 1:27, 1:32, 1:40 .	expected 69:14 .	feet 66:23 .	forward 35:1, 98:1, 108:8 .
established 26:12 .	expense 50:2, 55:12, 79:14 .	felon 27:13, 28:17 .	frame 65:6 .
estate 84:9, 84:11, 85:12, 104:16, 105:3, 107:9, 107:13 .	Expenses 16:4, 31:14, 31:19, 32:1, 43:2, 43:6, 43:8, 43:15, 43:16, 46:18, 47:5, 47:6, 48:4, 49:7, 49:12, 49:15, 49:25, 50:5, 54:8, 54:11, 57:8, 58:5, 58:18, 58:25, 59:2, 67:15, 67:18, 78:14, 86:22 .	FEMA 63:16, 63:17 .	free 13:10, 34:21, 42:17 .
estates 105:3 .	experience 29:8, 85:5 .	few 10:9, 25:20, 32:17, 103:1, 107:20 .	Freedom 36:1 .
etc. 105:4 .	experienced 73:24 .	figure 30:22, 31:8, 32:12, 48:2, 55:18, 73:3, 82:6, 89:8, 89:12, 90:20 .	frequently 78:7 .
Eugene 1:10, 3:6 .	expert 76:2 .	figured 68:21 .	Friday 40:17, 41:2 .
events 79:3 .	expertise 59:25 .	figures 76:6, 81:24, 82:9, 90:21, 92:22, 105:23 .	front 10:9, 65:22 .
eventually 20:19 .	explain 45:21, 72:18, 73:18, 92:20 .	file 8:20, 18:17, 20:2, 20:21, 39:6, 60:17 .	front-end 18:14 .
everyone 3:3, 3:21, 4:3, 61:18, 62:2, 62:13, 108:7, 110:3 .	explained 25:20 .	filed 6:15, 6:17, 9:11, 9:23, 11:24, 17:12, 17:13, 18:4, 18:6, 18:7, 18:8, 20:10, 29:6, 49:1, 70:20, 72:12 .	full 9:13 .
evidence 5:22, 16:16, 16:24, 75:9, 77:6, 77:8, 84:3, 84:22, 86:5, 87:16, 89:20, 90:12, 93:16 .	explains 23:18 .	files 6:18 .	.
evidently 29:5, 92:7 .	extent 40:18, 42:25 .	Filing 8:8, 21:10 .	.
exactly 66:15 .	extraordinary 69:24 .	fill 31:8, 31:25 .	< G > .
EXAMINATION 2:9, 2:13, 2:17, 2:21, 2:25, 4:21, 33:8, 35:14, 95:9, 98:14 .	.	Finally 15:24, 93:7 .	G. 111:2, 111:16 .
examined 29:5, 30:11, 75:22, 75:25 .	< F > .	financial 63:20, 64:2 .	gain 30:5 .
example 11:2, 13:1, 13:3, 21:2, 21:22, 26:13, 27:17, 28:15, 79:7, 87:24 .	face 39:20 .	find 9:23, 10:1, 62:7, 72:1 .	Gary 1:27 .
examples 6:24, 27:9, 43:8 .	fact 9:23, 69:11, 71:16, 88:6 .	finding 9:8 .	Gas 43:10, 49:18, 59:4, 80:12, 80:14, 80:20, 91:23, 92:9, 94:17 .
except 107:20 .	fair 29:2, 63:21, 66:11, 74:13, 74:15, 74:17, 76:10, 80:19, 80:23, 86:8, 88:10, 89:22, 91:19, 94:21 .	fine 44:21, 60:10, 60:11, 62:8, 76:19 .	gathering 5:19 .
Excuse 60:4, 62:23, 80:1 .	Faith 77:25 .	finished 10:16, 12:4, 19:3, 70:4, 70:5 .	gave 38:17, 38:25, 42:2, 70:5, 70:12, 78:15, 80:9, 81:23, 82:4, 84:13, 84:24, 87:20, 91:20, 92:19, 93:5, 95:14, 95:19, 96:3 .
exemptions 7:3, 21:10 .	familiar 6:1 .	first 4:7, 4:8, 4:15, 4:17, 18:22, 33:21, 35:6, 35:8, 38:7, 40:21, 42:23, 68:22, 90:23, 98:6, 98:9, 102:9, 104:3, 109:6, 109:24 .	General 35:24 .
Exhibit No. 44:19, 50:17, 96:7, 97:6 .	family 65:12, 108:23 .	fix 43:21 .	Generally 6:4, 6:6, 10:21, 12:9, 15:15, 16:2, 21:5 .
Exhibits 10:19, 10:24, 11:1, 11:2, 12:10, 12:16, 12:23, 13:12, 13:20, 15:25, 16:3, 16:9, 16:16, 16:22, 96:7 .	far 28:24, 36:13, 41:5, 43:11, 69:23, 99:10 .	fixed 30:7 .	generate 20:19 .
	faulting 73:3, 82:1, 92:24 .	floor 38:15 .	gentlemen 4:4, 34:17, 61:6, 107:18 .
	feature 19:20, 20:10 .	folder 103:13 .	Gerald 1:40, 1:41, 3:15 .
	fed 40:18 .	folks 74:2 .	Gerry 62:21 .
	Federal 5:22, 40:8, 60:18, 60:24, 63:18, 64:14, 64:21, 64:23, 65:4, 111:17 .	follow 14:9, 21:23, 21:24 .	gets 76:2, 76:24, 110:16 .
	fee 20:18, 28:3, 95:11, 95:22, 96:2 .	following 6:9, 16:16 .	getting 26:15, 29:22, 40:6, 103:8, 103:9, 103:20 .
		foregoing 111:5 .	gifts 97:7, 97:11 .
		forgot 38:15 .	give 23:23, 27:9, 28:14, 40:11, 42:7, 43:8, 43:21, 95:22, 96:2 .

68:11, 69:3, 69:5, 70:8, 76:7, 80:11, 81:4, 86:18, 90:7, 103:16, 108:25 .	hand 4:12, 35:3, 98:3, 102:11 .	45:6, 47:22, 63:14, 72:3, 72:5, 72:7, 72:9, 72:23, 72:24, 73:9, 80:18, 82:17, 83:1, 100:16, 104:6, 107:12 .	indicate 29:5 .
Given 27:1, 61:7, 71:2, 86:7, 94:19 .	handed 103:13 .	.	indicated 26:6, 73:24 .
Gives 95:24, 96:1, 107:19 .	handful 6:4 .	.	Individual 6:7, 6:15, 7:13, 8:20, 10:24, 11:3, 17:9, 18:1, 20:16, 37:5, 45:1, 52:13, 56:3, 99:25, 103:25 .
giving 84:9, 84:10 .	handwriting 79:20, 79:22 .	< I > .	indulgence 16:13 .
glitch 29:17, 30:7 .	happen 103:6 .	idea 88:20 .	inform 8:23 .
gotten 109:23 .	happened 43:19, 60:2, 60:22, 73:4, 102:9 .	identical 28:7, 86:7 .	initial 104:3 .
Government 2:4, 4:6, 4:8, 4:9, 16:15, 40:8, 63:1, 63:4, 64:12, 65:5, 97:24 .	happens 7:14 .	Identification 7:21, 7:25, 8:4, 8:8, 17:2, 17:4, 27:21, 27:22, 74:19, 75:6, 76:21, 77:1, 79:16, 79:17, 83:8, 83:15, 84:16, 84:17, 85:17, 85:19, 87:7, 89:14, 89:15, 90:3, 93:7 .	initially 62:4 .
GOVERNMENT'S 4:13, 35:4, 98:4 .	happy 108:12 .	identified 37:12 .	ink 87:24 .
graduated 36:14 .	hard 30:9 .	identifier 19:5 .	inside 66:9, 70:12 .
grandchildren 40:14, 41:21, 42:25, 43:17, 50:5, 51:5, 51:18, 51:23, 52:2, 55:15, 55:21, 57:13, 59:3, 67:15, 95:19 .	headache 30:1 .	identify 3:8, 37:9, 61:25, 75:4, 76:25, 77:2, 79:18, 84:18, 85:20, 87:8, 89:15, 90:4, 90:6, 93:8 .	Inspector 35:24 .
grandkids 42:11, 43:3, 69:25 .	health 47:22 .	identifying 19:14, 19:15, 20:7, 21:8, 21:9 .	instances 29:13 .
grant 28:5 .	health. 47:14 .	identity 19:19 .	instead 19:18 .
graphic 18:18 .	heat 90:22 .	IDRS 8:18, 9:1, 11:25, 12:1, 15:23 .	instructions 6:25, 12:24, 13:2, 13:5, 23:24, 32:6 .
graphical 18:19 .	heavy 62:6 .	II 1:12, 47:4, 47:6, 54:12, 58:5 .	Insurance 47:14, 47:15, 47:18, 47:21, 47:22, 47:23, 47:25, 58:7, 58:8, 58:10, 58:12, 58:16, 82:14, 82:21, 89:5, 92:11, 92:15, 92:17, 92:18, 93:2 .
great 56:10 .	held 13:13, 111:7 .	important 85:12 .	Integrated 8:16, 8:17, 15:16 .
Greenbelt 1:16, 1:30 .	help 6:21, 14:7, 31:24, 32:11, 42:12, 65:12, 95:16 .	inappropriate 63:10 .	intend 61:23 .
grew 78:5 .	helped 85:23 .	include 11:8, 34:6 .	interest 38:24, 69:2 .
Groceries 49:18, 57:11, 59:4, 80:12, 80:14, 80:20, 90:19, 90:21, 91:23, 94:4, 94:9, 94:12 .	helpful 110:15 .	included 19:3, 21:20 .	Internal 5:1, 5:3, 5:4, 5:18 .
grocery 68:20 .	here. 22:11 .	including 46:12, 54:1 .	internet 8:12, 13:8, 17:14, 18:10, 18:12, 18:16, 20:20, 26:17, 32:23 .
Gross 46:22, 46:25, 58:2, 88:15, 91:12 .	hereby 111:4 .	Income 6:7, 6:10, 7:4, 10:22, 22:6, 22:12, 22:19, 45:9, 45:13, 45:15, 46:20, 52:13, 52:19, 56:3, 56:11, 56:12, 57:25, 58:2, 58:3, 104:9, 105:2, 105:20, 106:2, 106:4, 106:16 .	Investigation 5:2, 28:11 .
group 30:9 .	High 36:14 .	incur 56:15, 67:16 .	involve 11:11 .
guess 13:24, 22:8, 42:6, 52:4, 61:19, 65:22, 68:20, 73:16, 84:7, 85:9, 102:13 .	higher 90:23 .	incurred 43:16, 50:5, 78:14 .	lrs.gov 13:8 .
.	historical 7:6, 15:22 .	INDEX 2:1 .	issue 8:22, 26:22, 33:10, 86:12 .
.	Hold 93:14 .		issued 7:24, 8:15, 20:17, 28:20 .
< H > .	Home 31:18, 31:25, 47:7, 49:3, 58:6, 64:23, 69:3, 71:22, 77:15, 101:21 .		issues 19:1, 109:2 .
H-a-I-I 35:10 .	homeowner 47:24, 58:7 .		Itemized 23:17, 24:10, 24:11, 24:12, 24:19, 24:21, 24:22, 25:4, 25:6 .
half 100:15 .	Honorable 1:22, 110:20 .		items 77:18, 87:23, 88:2, 93:24 .
	Hopefully 78:17, 110:3, 110:16 .		
	Hospital 98:21, 98:22 .		
	hour 100:15 .		
	hours 41:24 .		
	house 38:8, 38:23, 40:17, 40:18, 41:11, 41:15, 41:17, 41:19, 101:16, 101:22, 101:23 .		
	household 43:12 .		
	Housing 35:23 .		
	HUD 64:7, 64:8, 64:13 .		
	husband 36:7, 39:6, 39:8,		

itself 21:21, 39:17, 70:15 .	knows 19:16, 108:14, 110:6 .	54:12, 56:6, 57:2, 58:3, 68:16, 97:14, 104:12, 105:17, 107:7, 107:10 .	.
Ivy 1:29 .	.	lists 21:7, 21:9, 22:23, 48:11 .	< M > .
.	< L > .	lit 83:12 .	Mahoney 1:47, 3:13, 17:17, 19:8, 20:25, 22:16, 22:25, 23:14, 23:21, 24:24, 33:6, 33:20, 47:4, 80:1, 81:8, 88:12, 88:14, 89:13, 97:5 .
< J > .	L. 1:32 .	little 13:24, 20:13, 21:1, 34:20, 51:8, 90:23 .	mailed 17:13 .
Jeep 83:3, 92:12 .	Lack 9:21, 13:20, 14:1, 14:5, 14:11, 26:24, 84:6 .	live 38:12 .	mainframe 8:18 .
John 99:4, 104:5, 105:8, 107:6 .	lacks 9:16 .	Loan 64:23 .	maintenance 55:8, 55:10, 55:14, 55:20 .
Johnson 109:12 .	Ladies 4:4, 34:17, 61:6, 107:18 .	location 26:19 .	makeup 26:19 .
joined 3:10, 3:12 .	Landover 38:9, 100:23 .	locator 18:25 .	man 63:21 .
joint 72:12 .	Lane 1:29 .	long 5:9, 5:13, 30:19, 31:4, 31:16, 31:21, 32:9, 37:23, 39:4, 40:19, 41:10, 64:7, 80:16, 100:13, 101:23 .	manage 102:3 .
jointly 39:6 .	large 66:16 .	longer 109:6 .	Management 63:18, 63:23, 64:17 .
Jones 109:10, 109:14 .	larger 11:11 .	look 14:24, 15:7, 15:14, 15:24, 21:13, 25:23, 30:12, 33:13, 33:18, 49:13, 53:22, 54:11, 57:13, 59:9, 59:24, 60:9, 71:22, 71:24, 81:24, 84:12, 95:18, 96:6, 102:8, 108:8 .	managers 102:4, 107:13 .
jotting 67:1, 67:3 .	Largo 100:23 .	Looking 18:1, 18:3, 18:19, 18:22, 19:23, 20:13, 21:3, 21:4, 22:8, 23:2, 25:1, 55:21, 58:6, 88:13, 89:4, 91:9 .	managers. 107:9 .
Judge 62:5, 62:10, 95:5, 97:19 .	Last 4:15, 4:17, 21:25, 35:6, 35:8, 39:4, 60:15, 60:16, 63:4, 63:5, 63:11, 98:6, 98:7, 98:10, 98:11, 100:13 .	looks 21:14, 26:21, 38:14 .	margin 23:19 .
Judicial 97:1, 111:8 .	later 18:17, 61:9 .	lose 74:8 .	marked 10:10, 10:15, 11:2, 12:3, 13:15, 14:13, 15:14, 15:24, 17:2, 17:3, 77:1, 79:17, 83:14, 84:17, 85:19, 87:7, 89:15, 90:3, 93:8 .
Jurors 3:20, 72:18, 87:19, 88:23 .	LAW 1:41, 110:20 .	Losses 45:21, 53:5, 53:7, 106:7 .	married 36:5, 99:1 .
Jury 3:7, 4:2, 17:18, 21:3, 54:15, 61:14, 61:15, 61:19, 61:22, 61:24, 62:3, 62:12, 78:17, 88:21, 97:3, 101:20, 102:7, 108:5, 108:6, 110:16 .	laws 5:6, 27:17 .	lot 70:19, 72:24, 95:20 .	Martinsburg 18:15 .
JURY TRIAL 1:21 .	lawyers 108:12 .	loud 62:8 .	Maryland 1:2, 1:16, 38:10, 38:12, 60:17, 100:24, 111:4 .
Justice 1:33, 3:12 .	learn 100:4 .	lunch 107:21 .	.
.	lease 48:8, 48:16, 54:13, 54:17 .	.	masks 19:16 .
.	leased 48:19, 54:21, 54:25 .		master 8:19, 8:20 .
< K > .	leasing 55:3 .		Materials 49:18, 70:19, 80:13 .
Karen 2:23, 97:25, 98:4, 98:7, 98:11, 104:5, 105:8 .	least 79:1, 92:24 .		math 97:3 .
keep 6:18, 9:4, 61:8, 62:3, 70:23, 71:1, 110:5 .	leave 54:4, 108:11, 108:14, 108:22 .		Matt 3:11 .
kept 25:24 .	left 17:20, 17:21, 23:18, 23:23, 23:24, 24:3, 47:11, 61:15, 108:6 .		matter 3:4, 71:16, 111:7 .
kids 50:9, 95:21 .	less 30:1 .		Matthew 1:32 .
kind 20:13, 21:22, 27:3, 38:22, 47:21, 63:24, 66:7, 67:5, 70:8, 74:2, 77:20, 82:25, 87:3, 101:8 .	Lexus 51:11, 52:7, 81:17, 81:21, 82:3, 82:7, 92:12 .		Maurice 109:17 .
kinds 55:9, 67:11, 86:21 .	likely 109:17 .		MD 1:30, 1:43 .
knowledge 27:17, 29:1, 32:20, 70:15, 73:18, 76:16, 82:2 .	lines 21:11, 22:9, 89:24 .		mean 18:24, 28:19, 30:1, 67:22, 68:14, 69:4, 81:4, 86:10 .
known 5:7, 76:9, 88:9 .	list 9:22, 9:24, 24:14 .		meant 75:25, 92:17 .
	listed 24:6, 45:3, 46:16, 46:25, 49:17, 50:2, 50:4, 50:24, 51:13, 54:1,		measurement 66:22 .
			measurements 66:18, 66:19 .

Medical 72:24, 77:23, 79:14, 96:16 .	84:13, 90:17 .	47:13, 48:7, 49:14, 51:1, 58:23, 77:23, 91:22, 92:5, 97:23, 97:24, 107:20 .	officer 36:1 .
medicals 77:4, 86:13, 90:15 .	month 42:7, 42:8, 82:18, 91:2, 92:8, 94:25, 95:11, 95:14, 95:25, 96:1 .	No. 1:9, 3:5, 39:9, 42:2, 42:24, 46:25, 47:10, 48:6, 51:6, 53:11, 54:23, 55:1, 55:5, 57:10, 57:17, 58:17, 72:2, 72:5, 76:18, 79:20, 89:9, 89:12, 97:3, 99:17, 101:1, 101:16, 102:4, 105:12, 106:6 .	offices 101:4 .
medium-size 66:21 .	morning 3:9, 3:14, 3:16, 3:17, 3:19, 4:23, 4:24, 25:18, 25:19, 32:21, 35:16, 35:17, 62:19, 62:20, 63:25, 98:16, 98:17, 107:24, 108:3, 108:9, 108:17, 110:18 .	nobody 19:16 .	Official 20:2, 111:1, 111:17 .
meet 38:6, 100:16, 100:22, 100:25, 102:10 .	mortgage 38:24, 47:23, 47:25, 92:9 .	nod 88:23 .	often 40:10 .
meeting 43:19, 60:2, 100:13, 102:8, 102:25 .	mostly 64:18 .	None 57:10 .	oldest 40:20 .
meetings 39:4, 39:8, 39:10, 72:3 .	move 34:20, 61:25, 75:7, 77:6, 83:25, 84:20, 86:3, 87:12, 89:18, 90:10, 93:12 .	noon 61:10 .	Once 7:24, 38:5, 42:2, 86:12, 88:13, 89:24, 93:24, 94:2, 100:12 .
member 65:12 .	moved 101:21 .	normal 69:3, 69:25 .	ones 13:13, 17:1 .
mentioned 8:6, 20:12, 24:2, 34:17, 72:16, 79:4 .	moves 16:15 .	normally 95:14 .	online 28:1 .
mentioning 49:21 .	Moving 47:4 .	Northern 1:34 .	operate 42:15 .
Merit 111:2 .	MR. MORGAN 50:17, 103:23 .	notation 89:5 .	operating 27:7 .
met 38:8, 62:22, 62:24, 63:1, 63:4, 65:21, 65:23, 102:8 .	Ms. 35:1, 35:16, 62:15, 62:19, 66:25, 68:14, 72:8, 74:22, 75:11, 76:8, 77:10, 78:2, 80:4, 82:1, 84:5, 85:11, 86:7, 87:18, 88:15, 89:4, 89:16, 89:22, 97:20, 98:1, 98:9, 108:8, 109:5, 110:1 .	notations 69:11 .	opportunity 34:19 .
Michael 1:27, 3:9 .	.	noted 87:23 .	order 30:22, 52:2, 63:1 .
microphone 4:15, 35:6, 98:6, 98:8 .	.	notes 1:49, 39:11, 39:14, 102:15 .	organized 5:5 .
mid-afternoon 34:18 .	< N > .	Nothing 34:11, 34:13, 40:11, 42:3, 63:10, 66:20, 69:23 .	orient 21:2 .
mid-morning 34:18, 59:15, 61:7 .	named 32:17, 37:5, 99:25 .	notice 17:22, 97:1 .	originally 69:13 .
middle 20:14 .	names 45:3, 45:4, 50:24, 105:7 .	.	originator 8:10, 26:23 .
mileage 79:2, 79:10 .	natural 92:9 .	< O > .	otherwise 79:9 .
miles 78:6, 78:20 .	NE 1:35 .	objection 16:20, 37:15, 75:8, 77:7, 84:2, 84:21, 86:4, 87:13, 89:19, 90:11, 93:13 .	output 86:21, 91:25 .
million 6:17 .	need 21:17, 85:7, 108:2 .	obtaining 27:14 .	outside 38:2, 61:12, 108:1 .
minimal 27:3 .	needed 42:12, 51:25, 52:3, 85:9 .	obviously 109:4 .	overpaid 6:12 .
minus 104:23, 106:23 .	Negative 22:23, 45:16, 45:17, 52:25, 56:14 .	offer 77:5, 109:24 .	owe 6:13, 21:12, 22:2, 22:6 .
minute 91:3, 92:14 .	new 7:11, 29:14, 29:19 .	offering 17:1, 77:4, 79:14 .	owe. 21:15 .
minutes 32:18, 39:5, 41:12, 59:17 .	Next 13:15, 14:12, 24:16, 24:22, 30:8, 45:12, 47:13, 48:7, 49:14, 51:1, 58:23, 77:23, 91:22, 92:5, 97:23, 97:24, 107:20 .	offerings 78:22, 90:14 .	owed 21:19 .
missing 77:21 .		Office 1:28, 1:41, 13:10, 35:23, 38:8, 38:14, 38:19, 38:23, 39:1, 39:17, 39:18, 64:17, 65:18, 66:7, 66:9, 68:9, 100:19, 100:23, 101:2, 101:4, 102:9, 102:10 .	own 26:9, 36:22, 41:17, 41:19, 49:3, 49:5, 51:20, 81:16, 99:18, 101:13 .
Mitchell 111:2, 111:16 .			owned 8:9, 101:23 .
Mm-hmm 41:16, 41:18, 69:9, 70:2, 76:23, 77:22, 86:2 .			owner 26:23 .
moment 10:14, 16:14, 16:19, 17:5, 25:9, 33:3, 92:6, 95:3 .			owners 8:14 .
moments 25:21 .			owns 23:9, 27:12 .
Monday 40:16, 41:2 .			.
money 6:13, 21:19, 22:4, 40:6, 40:9, 40:11, 42:3, 42:13, 69:6, 69:12, 73:15, 74:9, 74:16, 84:13, 90:17 .			.
			< P > .
			p.m. 110:22 .
			package 81:24, 92:19 .
			packet 70:9 .
			Page 2:4, 18:22, 19:9, 20:24, 21:13, 22:17, 23:1, 23:14, 24:25, 29:24, 33:16, 33:17, 33:21, 45:23, 49:13, 49:14, 50:18, 53:15, 56:21, 56:23, 58:23, 59:14, 96:16 .

78:9, 78:13, 97:6, 106:24, 111:7 .	90:24 .	picture-looking 18:18 .	print 11:10, 29:20, 34:7, 60:10, 60:11, 75:19, 76:19 .
pages 11:9, 11:11, 29:15, 30:6, 30:18, 30:24, 31:4, 31:8, 31:16, 31:21, 31:24, 32:9, 32:12, 33:11, 34:4 .	payments 8:24 .	piece 67:1, 67:3, 69:18 .	printed 29:24 .
paid 19:23, 42:1, 44:12, 44:14, 73:12, 73:16, 73:17, 73:19, 73:21, 76:3, 81:19, 82:14, 82:18, 84:13, 85:10, 91:1, 91:2, 95:16, 103:14 .	PC 1:41 .	PIN 19:15, 19:17 .	printout 18:18 .
paper 17:12, 18:13, 44:11, 67:1, 67:4, 69:18, 79:17, 86:25, 87:24 .	pen 78:2 .	place 7:7, 7:15 .	printouts 12:1, 12:23, 15:16 .
papers 43:21, 44:6, 69:18, 70:6, 102:11, 103:8, 103:10 .	penalties 75:13, 75:18 .	placed 18:16, 69:18, 74:22, 80:21, 81:22 .	Prior 35:22, 64:13, 78:10, 78:18, 78:25, 79:7, 79:9, 88:8, 99:7 .
Paperwork 38:20, 38:24, 43:20, 70:12, 101:6, 101:8, 101:9, 103:12 .	pending 3:4 .	places 19:1, 41:6 .	priority 27:4 .
Paralegal 1:47, 3:13 .	Pennsylvania 5:2 .	Plaintiff 1:7, 1:25 .	Probably 31:5, 50:12, 70:20, 80:17, 80:25, 81:4, 101:12 .
parens 91:25 .	people 31:24, 64:3, 65:13 .	plan 80:18, 110:10 .	Proceedings 1:20, 110:22, 111:6 .
Part 9:5, 9:8, 25:23, 46:20, 47:4, 47:6, 49:15, 51:6, 54:12, 57:23, 57:25, 58:5, 58:24, 67:8, 74:22, 75:15, 80:2, 80:4, 87:18, 94:3 .	Pepco 92:8 .	plus 97:1 .	process 14:9, 18:8, 44:4, 102:7, 107:22 .
particular 7:7, 7:9, 7:14, 7:18, 11:7, 12:24, 19:2, 20:17, 24:12, 24:15, 29:24, 30:9, 36:3, 78:9, 91:5, 91:17, 101:11 .	Per 28:24, 38:4, 100:9, 100:11, 100:12 .	point 17:2, 17:4 .	processing 19:3 .
particularly 27:18 .	percent 28:19, 52:5, 90:20 .	pointing 78:2 .	product 46:12, 54:1 .
parties 110:13 .	percentage 50:8, 52:1, 92:1 .	portal 15:6, 26:18 .	profession 46:12, 48:20, 53:25, 57:4, 57:19, 107:8, 107:13 .
partnership-type 23:8 .	percentages 59:5, 87:5 .	portion 44:20, 45:24, 46:23, 50:18, 97:7, 106:25 .	professional 65:11, 65:13 .
partnerships 104:16, 105:3 .	Perfect 24:1 .	possess 9:10 .	Profit 23:5, 46:2, 53:18, 56:24, 57:16, 107:2 .
parts 64:4 .	Perhaps 27:12, 28:17, 29:10, 30:7, 68:15, 88:13 .	possible 34:3 .	program 64:3 .
party 8:21 .	period 7:10 .	practically 40:20 .	progressed 67:15 .
passed 28:20 .	perjury 60:8, 75:13, 75:18 .	practice 9:4 .	promptly 61:19 .
Patricia 111:2, 111:16 .	permission 74:18 .	preceded 18:23 .	proof 4:7 .
pause 23:20 .	permit 29:15 .	preceding 21:18 .	proper 92:3 .
pay 6:13, 60:24, 61:1 .	person 23:7, 23:9, 27:2, 27:10, 27:12, 28:4, 28:17, 28:25, 30:3, 65:21 .	preclude 27:7 .	properly 27:7, 28:23 .
payers 8:21 .	personal 19:14, 19:15, 21:8, 21:9, 23:8 .	preparation 36:17, 36:20, 38:2, 71:11, 93:10, 99:13, 99:16, 100:7 .	property 48:11, 48:20, 51:10, 54:14, 54:24, 55:3, 55:4, 101:12, 101:18, 101:20, 102:3, 102:4, 102:5, 105:14, 107:9, 107:13 .
payment 8:23, 86:14,	personally 26:5, 29:13 .	prepare 7:1, 14:7, 20:18, 28:2, 29:18, 63:2, 65:11, 68:18, 85:23, 90:7 .	property. 51:9 .
	persons 8:24 .	prepared 36:22, 65:7, 68:8, 68:25, 69:11, 69:15, 72:4, 72:15, 72:20, 76:1, 76:18, 77:3, 77:11, 77:16, 79:25, 83:5, 86:16, 86:25, 87:10, 99:18 .	proprietor 46:6, 46:8, 53:23, 57:2, 107:5 .
	Philadelphia 1:42 .	preparing 29:1, 79:7 .	proprietaryship 23:6 .
	phone 49:19, 59:4, 68:15, 80:12, 80:14, 80:15, 94:23, 94:25 .	presence 73:7 .	prosecutor 71:17 .
	phones 92:9 .	Present 1:46 .	prosecutors 63:6 .
	phrase 26:24 .	pretty 40:21, 61:8, 71:14 .	protect 19:19 .
	physical 105:13 .	prevent 27:13 .	provide 13:11, 26:18, 45:19, 48:2, 49:23, 50:13, 68:12, 68:22, 88:2 .
	physically 73:17 .	previous 33:24 .	
	pick 40:25, 41:13, 41:20, 42:9, 51:17, 52:2, 61:5 .	previously 14:9, 98:20 .	
	picked 40:16 .	primarily 5:17 .	
	picking 51:22, 57:11 .	Principal 46:11, 53:25, 57:4, 57:19, 107:8, 107:12 .	
	picture 11:24 .		

provided 50:9, 67:24, 68:4, 69:24, 94:8 .	97:17 .	90:24, 105:23 .	relationship 38:1 .
provider 92:8 .	quite 29:20, 60:23 .	received. 105:21 .	relatively 110:4 .
provides 16:11 .	.	receives 18:10, 18:11 .	reliable 28:19 .
providing 67:9 .	< R > .	receiving 69:6 .	Remain 35:2, 98:2 .
PTIN 7:24, 8:5, 8:6, 14:16, 20:6, 20:12, 20:15, 20:16, 20:22, 27:19, 27:25, 28:5, 28:20, 28:25 .	raise 4:12, 35:2, 98:3 .	Receptionist 38:16, 38:17, 65:22, 65:23, 65:25 .	Remember 30:20, 37:23, 48:4, 66:13, 67:16, 73:25, 80:13, 91:3, 92:14, 92:16, 96:8, 101:11, 103:2, 103:17 .
PTIN. 20:14 .	Ralph 77:25, 78:4, 78:21 .	Recess 61:17 .	Remics 105:4 .
public 36:3 .	Rana 109:12 .	recognize 10:19, 12:7, 12:22, 16:9, 77:18, 83:23 .	remind 20:14 .
publication 13:11, 30:13, 30:14, 30:16, 30:18, 30:21, 31:1, 31:7, 31:14, 31:16, 32:4, 32:11 .	range 33:16 .	recollection 39:11, 71:6, 79:6, 80:8, 82:10, 82:13 .	remove 54:6 .
publications 6:25, 12:23, 13:2, 16:3, 16:6, 16:10 .	Rather 29:24, 37:1, 73:15, 99:22 .	reconcile 6:8 .	rent 48:8, 48:16, 54:13, 54:17, 101:16, 102:1 .
publicly 13:5, 13:13, 16:7, 16:10 .	read 22:9, 22:18, 23:16, 24:2, 24:17, 31:8, 31:23, 33:16, 33:22, 39:23, 45:12, 60:11, 75:15, 75:20, 76:19, 89:23, 89:24, 96:23, 106:22 .	Record 3:8, 4:18, 6:18, 9:21, 14:5, 14:17, 15:2, 15:9, 15:18, 35:9, 37:11, 98:10 .	Rental 101:18, 101:20, 101:22, 104:16, 105:2 .
publish 17:17, 33:20 .	reading 24:16, 24:22, 32:12 .	recorded 29:12 .	rental. 107:11 .
pull 17:16, 33:6, 104:24 .	ready 3:22, 61:9, 62:15, 107:24, 108:19, 110:11, 110:12 .	Records 6:2, 6:5, 9:3, 9:5, 9:8, 9:10, 9:17, 10:2, 10:3, 10:7, 11:17, 12:11, 13:21, 14:1, 14:11, 25:24, 26:9 .	rented 48:19, 54:21, 54:24 .
purpose 3:6, 54:19 .	Real 19:18, 74:13, 84:9, 84:11, 85:12, 104:16, 105:2, 107:9, 107:13 .	redact 36:4 .	renting 55:3 .
purposes 51:20, 85:17 .	realize 75:25, 78:25 .	REDIRECT 2:13, 2:21, 33:2, 33:8, 95:7, 95:9 .	rents 105:21, 105:23 .
pursuant 111:5 .	really 11:24, 28:25, 44:5, 44:6, 44:15, 60:23, 88:14, 95:13, 95:18, 102:13 .	reduce 7:3 .	Repairs 55:8, 55:9, 55:14, 55:20 .
pushing 30:9 .	Realtime 111:3 .	referred 37:20, 37:21, 37:22 .	repeat 70:15, 84:5 .
put 53:10, 55:23, 57:18, 59:7, 62:2, 70:11, 78:13, 78:20, 79:10, 79:13, 79:14, 82:2, 82:6, 82:9, 87:1, 87:3, 87:5, 90:19, 95:20, 101:22, 103:5, 103:13 .	reason 29:10, 69:14, 69:15 .	refers 22:24 .	report 7:17, 7:18, 7:19, 14:16, 15:8, 65:24 .
putting 40:1, 48:23, 57:15, 76:6, 81:25, 102:22 .	reasons 74:3 .	reflect 37:12 .	reported 65:23 .
.	recall 30:16, 31:5, 32:17, 44:12, 52:6, 55:2, 55:17, 58:15, 66:9, 66:10, 66:15, 66:16, 67:11, 80:5, 80:15, 82:25, 84:9, 89:11, 89:12 .	Refund 6:12, 22:3, 22:4, 22:7, 22:14, 44:9, 44:17, 76:7, 103:20, 103:21 .	Reporter 111:1, 111:2, 111:3, 111:17 .
.	receipts 46:22, 47:1, 88:15, 91:12 .	refund. 22:3 .	reports 8:5, 8:25 .
< Q > .	receive 26:2, 27:24, 36:16, 43:20, 44:17, 99:12 .	refunded 22:11 .	represent 5:17, 11:23, 19:13, 62:21 .
qualified 29:1 .	received 6:11, 17:12, 18:14, 19:2, 26:3, 29:9, 42:5, 69:12, 82:2, 86:14,	regarding 59:3 .	representation 18:20 .
quarter 41:14 .		regardless 28:20 .	request 13:8, 68:12 .
queried 11:10 .		Registered 111:2 .	requesting 22:13 .
queries 9:22 .		regular 9:4, 66:20 .	required 8:22 .
question 66:23, 67:5, 75:15, 93:19 .		regulations 111:8 .	requirements 27:24 .
questions 25:11, 32:25, 52:8, 59:17, 61:3, 67:9, 67:11, 75:16, 84:5, 95:5,		related 16:4, 43:3, 43:15, 47:18, 55:10, 55:14, 57:9, 58:12, 58:16 .	requires 110:14 .
		relates 70:23, 94:8 .	research 61:12, 108:1 .
		relates. 51:2 .	resolved 30:10 .
			result 78:9, 78:18 .
			retire 35:20, 36:11, 63:15, 98:24 .
			retired 35:19, 36:10, 40:8, 63:14, 98:19, 99:6 .
			retirement 35:22, 99:7 .
			Retrieval 8:16, 8:17,

15:17 .	School 36:13, 36:14, 36:15, 40:16, 40:21, 40:25, 41:3, 41:11, 42:10, 43:11, 77:25, 99:10 .	session 107:21 .	small 39:18, 66:7, 75:19, 76:24 .
retrieved 14:20, 18:17 .		Seven 5:14, 64:25, 65:2 .	smaller 23:9, 75:12 .
retrieving 5:20 .		several 37:25, 41:6, 54:11, 65:16 .	smoothly 110:4 .
returns 5:20, 6:15, 8:4, 8:11, 10:22, 10:23, 11:4, 11:11, 11:24, 12:24, 17:11, 18:8, 19:21, 20:10, 29:2, 29:6, 29:9, 29:11, 29:21, 32:13, 33:11, 70:20, 71:5, 72:8, 72:15, 79:8, 109:23 .	Scranton 5:2 .	sheet 68:11 .	soccer 28:12, 28:15 .
Revenue 5:1, 5:3, 5:4, 5:6, 5:18, 9:5 .	screen 17:16, 17:19, 17:21, 39:24, 62:3, 62:9, 88:21 .	shoot 110:12 .	Social 7:8, 28:4 .
review 10:3, 10:14, 11:14, 12:3, 12:16, 13:12, 13:15, 14:12, 44:7, 49:1, 76:13 .	scroll 46:18, 51:7, 52:18, 56:8, 56:22, 57:22, 58:5, 58:23, 105:19 .	short 4:5, 61:7, 107:18 .	software 20:2, 64:5 .
reviewed 11:20, 11:22, 12:1, 36:4, 76:11 .	scrolling 104:15 .	show 21:22, 44:19, 74:19, 76:21, 79:16, 84:17, 85:19, 103:23 .	solar 92:7 .
Reviewing 10:17, 12:5, 12:20, 13:17 .	search 9:13, 10:6 .	showed 38:24, 60:3, 65:24, 80:6, 87:19, 92:14 .	sole 23:6 .
right-hand 48:9 .	searched 9:25 .	showing 17:20, 17:23, 61:23, 90:3 .	somebody 29:2, 67:23 .
rise 61:14, 108:5, 110:20 .	searching 14:11 .	shown 32:16, 32:21, 73:23, 80:4 .	someone 6:18, 9:10, 20:22 .
RMR 111:16 .	season 90:7 .	shows 7:19, 7:20, 87:19, 94:23 .	sometimes 9:9, 34:19, 39:12, 41:17, 43:13, 95:24 .
Road 1:42 .	seated 3:3, 4:3, 4:14, 35:5, 62:13, 98:5, 108:7 .	side 48:9, 63:23, 64:18 .	Somewhere 42:7, 95:20, 95:21 .
Robert 45:5, 50:25, 52:17, 56:7, 72:3 .	second 23:20, 30:5, 54:7, 56:10, 93:14 .	sign 19:11, 43:22, 43:23, 44:6, 60:2, 60:5, 76:12, 76:19, 89:23, 94:5, 103:8, 103:10 .	son-in-law 100:5 .
role 5:11, 11:14, 36:2 .	Secretary 64:18, 98:23, 99:8 .	sign-here 19:13 .	Sorry 12:18, 13:22, 17:20, 17:23, 18:11, 21:9, 23:23, 56:22, 66:2, 83:4, 105:13 .
Ronald 1:10, 3:6, 3:15, 37:5, 99:25 .	Section 1:34, 21:25, 45:9, 46:19, 52:19, 54:12, 91:22, 96:14, 97:9, 103:24, 104:9, 104:25, 106:15 .	signature 19:18, 20:8, 60:7, 72:9, 72:19, 73:9, 75:4, 75:5, 75:11, 84:7 .	sort 48:9, 53:9, 67:16, 68:21, 84:13, 107:21 .
royalties 104:16, 105:3 .	seeing 20:8, 61:24, 81:23, 108:8 .	signature. 19:12, 20:4 .	SOUTHERN 1:3 .
running 7:6 .	Security 7:8, 28:4, 28:10 .	signatures 83:21 .	speaking 55:2, 55:17, 70:4, 71:18, 78:25, 88:8 .
.	seeking 27:2 .	signed 44:1, 60:9, 72:22, 73:4, 73:9, 75:17, 75:21, 76:2 .	Special 1:46, 3:12 .
.	seen 72:8, 79:23 .	signify 19:12 .	specific 16:9, 19:20, 36:16, 67:17, 81:1 .
< S > .	segment 77:24 .	signing 75:18 .	Specifically 40:15, 43:7, 54:13, 80:2, 80:13, 81:6, 85:2, 89:1, 94:24, 99:12 .
salaries 104:9, 104:13 .	segments 29:25 .	similar 25:5, 28:1, 28:9, 28:13, 109:25 .	Spell 4:17, 35:8, 98:9 .
sales 47:1 .	send 8:11 .	single 14:12, 29:23, 95:14, 101:4 .	spend 74:13, 74:16 .
sales. 46:22 .	sends 8:4 .	sit 31:7 .	spent 90:19 .
sanctioned 20:1 .	sense 108:25 .	Sitting 10:9, 37:10 .	split 33:12 .
sat 38:17, 42:23, 66:12, 66:17 .	sent 17:14, 20:6 .	six 60:25 .	spoke 60:15 .
saw 59:5, 67:3, 69:21 .	sentence 60:7 .	six-digit 8:9, 26:22 .	spoken 62:22, 62:24, 88:4, 103:2 .
saying 28:16, 28:23, 41:24, 44:5, 68:24, 78:24, 89:2 .	separate 11:11 .	six-story 101:3 .	spouse 99:3 .
schedules 7:1, 12:24, 75:23 .	serial 19:1 .	sleeves 70:11 .	stand 34:19, 63:17, 98:2 .
scheduling 108:15 .	Service 5:1, 5:3, 5:4, 5:18, 44:12, 46:12, 51:4, 54:1 .	slightly 109:6 .	standard 23:17, 23:18, 23:22, 24:3, 24:7, 24:10, 24:20 .
	services 48:21, 54:2, 57:5, 57:9, 57:20, 70:16, 91:16, 98:23 .	slips 101:12 .	standing 35:2, 98:3 .
	services. 46:14, 51:3 .		

stands 8:18 .	swearing 76:17 .	Thanks 4:1 .	TRANSCRIPT 1:20, 7:5,
Stanley 109:10 .	switching 17:23 .	themselves 23:9 .	7:6, 25:20, 25:23, 111:6,
start 21:16, 21:21,	SWORN 4:13, 35:4,	themselves 26:10,	111:7 .
107:24 .	98:4 .	97:4 .	transcription 1:49 .
started 4:6, 40:21 .	System 8:1, 8:16, 8:17,	THEODORE 1:22 .	transcripts 7:11, 12:10,
starting 75:12 .	8:18, 9:6, 11:8, 11:25,	they'll 13:11, 21:3 .	25:25 .
starts 33:23 .	12:1, 14:21, 15:13,	they've 8:23 .	transmitted 18:15 .
state 4:15, 35:6, 60:24,	15:17, 15:23, 18:14,	third 8:21 .	trash 29:11 .
98:6, 105:9 .	19:4, 29:14, 29:17,	Thomas 2:7, 4:13,	Treasury 5:5 .
statement 23:5, 29:2,	29:18, 29:19, 29:23,	4:16 .	trial 3:7, 10:4, 11:14,
76:10, 86:8, 94:21 .	34:5 .	though 15:22, 78:17,	21:4 .
statements 75:23 .	systems 6:2, 6:5,	78:18 .	trials 5:22, 5:23 .
States 1:1, 1:5, 1:28, 3:5,	28:19 .	Three 41:24, 64:11, 71:3,	tried 43:6, 68:12 .
3:10, 5:5, 34:24, 111:3,	.	72:16, 82:18,	truck 83:3, 83:4 .
111:9 .	.	100:10 .	true 11:17, 12:2, 12:11,
status 21:10 .	< T > .	throwing 29:10 .	14:17, 15:2, 15:9, 15:18,
stenographically-reported	T-h-o-m-a-s 4:19 .	tight 61:8 .	19:17, 28:15, 41:8,
111:6 .	table 3:11, 49:17 .	till 61:9 .	72:15, 76:16, 78:19,
stenotype 1:49 .	talked 16:6, 27:19, 39:19,	tips 104:10, 104:13 .	94:25, 111:5 .
step 34:16, 44:7, 97:21,	79:6, 79:9 .	tithes 77:3, 78:22,	trusted 60:1, 60:13,
108:8, 108:12 .	tasked 5:19 .	79:14 .	76:3 .
stop 46:19, 56:9,	tasks 52:4 .	title 64:2 .	trusts 105:4 .
110:15 .	taste 107:19 .	titled 46:20 .	try 61:8 .
stored 8:21 .	tax-related 5:20 .	today 3:6, 4:5, 37:7, 63:2,	trying 73:3 .
Street 1:35 .	taxable 7:4 .	67:11, 71:7, 107:18,	Tuesday 63:5, 63:11 .
stretch 34:20 .	taxpayer 7:1, 7:2, 7:7,	110:4 .	turn 17:15, 19:8, 20:24,
stuff 44:14, 69:25, 76:14,	7:15, 7:16, 7:19, 9:24,	together 82:20,	22:25, 24:24, 39:13,
78:22 .	17:10, 19:14, 19:15,	100:17 .	39:16, 39:19, 47:10,
submit 17:10, 24:14, 28:2,	19:16, 19:19, 19:25,	toll 13:9 .	52:10, 55:25, 56:21 .
59:8 .	21:8, 22:4, 22:7, 24:13,	Tom 4:9 .	Turning 106:24 .
submitted 17:11,	26:9, 27:16, 29:6, 32:17,	tomorrow 107:24, 108:3,	Twelfth 99:11 .
32:22 .	76:12, 85:4, 109:6,	108:9, 108:17, 109:1,	two 11:3, 11:11, 17:11,
subschedules 34:6 .	109:13, 109:15 .	109:5, 110:18 .	39:21, 41:24, 59:16,
subsections 34:6 .	taxpayers 6:8, 6:10, 8:24,	took 40:17, 41:19,	67:14, 74:3, 74:8, 89:24,
subsequent 31:2, 69:19,	9:25, 17:12, 109:19,	92:25 .	93:1 .
107:20 .	109:21 .	top 18:23, 23:15, 23:24,	two. 42:25 .
substantial 40:12,	TDC-21-0449 3:5 .	33:13, 44:20, 44:25,	type 75:12, 79:2 .
42:4 .	technical 29:22 .	45:24, 46:1, 46:3, 47:8,	types 6:21, 13:5, 43:8,
suit 37:10 .	tells 34:5 .	50:18, 50:19, 52:12,	109:22 .
suitability 26:20, 26:25,	temporary 29:17 .	53:16, 53:20, 56:1, 56:2,	typewriter 77:15 .
27:5, 27:15, 28:4, 28:7,	tenure 64:12 .	90:14, 103:24, 104:25,	typically 41:1, 41:23,
28:8, 28:10, 28:16 .	terms 27:16 .	106:25, 107:1 .	43:18 .
suitable 27:11 .	test 28:21 .	total 50:2, 50:6, 96:10,	.
Suite 1:29, 1:42 .	testified 5:23, 29:4, 29:14,	96:19, 96:21, 97:14 .	.
suited 28:18 .	66:25, 74:5 .	towards 35:2, 98:2,	< U > .
summary 15:1 .	testify 34:16 .	102:21 .	U.S. 1:33, 6:7, 10:22,
Supplemental 105:1 .	testimony 63:2, 65:7, 70:3,	track 110:5 .	35:23, 44:25, 52:12,
supplies 49:18, 80:13 .	97:21 .	trained 64:3, 64:5 .	56:3, 103:25 .
supposed 85:3, 90:20 .	text 39:23, 45:12,	training 36:16, 99:12 .	Underneath 46:5, 46:11,
surprised 60:23 .	47:13 .	transaction 7:7, 7:14 .	50:24, 52:16, 55:6, 56:6,

86:20, 90:17, 92:11, 96:17, 105:2, 105:7, 105:20, 107:7 .	voluminous 29:20 .	61:24, 68:25, 69:10 .	yourselves 3:8, 61:11, 107:25 .
understand 28:23, 30:11, 30:13, 31:13, 31:18, 31:24, 62:1, 65:21, 66:7, 70:3, 75:17, 75:21, 77:10, 78:16, 78:24, 82:1, 88:8, 91:3, 91:9, 91:17, 92:18, 92:24, 93:3 .	voluntary 98:23 .	WITNESS 2:4, 4:8, 4:13, 4:16, 4:19, 5:12, 5:15, 5:17, 5:24, 34:23, 35:4, 35:7, 35:10, 37:12, 61:24, 62:5, 62:6, 74:19, 74:20, 93:21, 97:22, 97:23, 98:2, 98:4, 98:7, 98:11, 109:7, 109:11, 109:24 .	.
understanding 28:23 .	volunteer 87:20 .	witnesses 34:19, 110:7 .	.
Understood 30:11, 64:7, 70:1, 78:16, 81:7, 93:4, 93:6, 96:5 .	vs 1:8 .	word 81:21, 82:3, 84:6, 93:2 .	< Z > .
Unfortunately 3:20 .	.	words 23:7, 67:22 .	zoom 22:1, 22:17, 23:14, 23:21 .
unique 19:5, 19:7 .	< W > .	work 4:25, 5:1, 21:6, 35:22, 36:7, 39:1, 64:7, 64:17, 64:24, 69:4, 87:20, 93:25, 98:20, 99:5, 100:19 .	
United 1:1, 1:5, 1:28, 3:5, 3:10, 5:5, 34:24, 111:3, 111:9 .	W-2 8:22 .	worked 5:9, 63:13, 63:16, 64:8, 64:11, 64:13, 64:17, 64:21, 65:4, 70:18, 70:21 .	
Unless 101:16 .	W. 45:5, 50:25, 52:17, 56:7 .	working 36:9, 70:5 .	
until 61:17 .	Wages 104:9, 104:12 .	works 21:16 .	
unusual 66:20 .	wait 38:18 .	worth 48:20, 50:12, 55:9, 58:15, 59:17 .	
updated 7:23, 7:24, 8:2, 8:5, 11:8 .	walk 35:2, 39:18, 98:2 .	write 36:3, 39:12, 44:15, 78:4, 103:16 .	
updates 7:13, 29:18 .	wall 66:14 .	writing 39:14 .	
updating 7:13 .	wanted 28:15, 68:21, 69:14, 87:5 .	written 53:22, 54:4, 92:15, 105:7 .	
Urban 35:23 .	warmed 107:22 .	wrote 91:25, 94:25 .	
user 15:5 .	warning 84:6 .	.	
using 20:6, 21:2, 102:17 .	Washington 1:36, 98:21, 105:18 .	.	
.	watch 41:23, 42:10 .	< Y > .	
.	water 90:22, 92:8 .	years 5:10, 5:14, 9:25, 12:25, 37:25, 40:20, 41:6, 64:8, 64:19, 64:20, 64:24, 65:3, 65:4, 65:8, 65:10, 65:14, 65:16, 65:18, 68:22, 69:19, 70:18, 70:20, 70:24, 71:3, 71:11, 72:16, 79:12, 101:21, 101:25 .	
< V > .	ways 17:9, 17:11 .	you-all 88:22 .	
V. 49:15, 80:2 .	week 40:25, 78:7 .	yourself 37:2, 54:8, 66:4, 68:8, 99:23, 102:3 .	
various 6:1, 70:6, 86:21 .	Weishaar 1:46, 3:12 .		
vehicle 51:17, 51:22 .	Welcome 4:4, 62:14 .		
verified 12:14, 14:22, 15:5, 15:12, 15:21 .	well-established 38:16 .		
verify 6:11, 12:1, 15:22, 27:5 .	West 18:15 .		
versus 3:6 .	Whatever 29:9, 39:13, 43:16, 43:22, 51:24, 57:11, 59:24, 66:14, 67:24, 68:13, 69:24, 72:25, 76:7, 82:7, 90:19, 90:20, 92:20, 108:2 .		
Veterans 98:21, 98:22, 99:8 .	whenever 38:5 .		
view 13:9, 18:18 .	Whether 9:9, 25:24, 26:3, 28:17, 28:18, 28:25, 44:13, 71:19, 76:25, 79:18, 80:10, 85:7, 85:20, 87:5, 87:8, 90:4, 109:1 .		
viewed 76:9 .	whole 23:22, 40:21, 64:11 .		
Virginia 18:15 .	whom 37:21 .		
visit 101:5 .	will 6:5, 21:22, 37:16, 61:19, 62:1, 62:3, 89:24, 109:20, 110:16 .		
VOLUME 1:12 .	willing 108:11 .		
	Without 20:22, 29:22,		